City of Highland California

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2014

NOVEMBER 24, 1987

CITY OF HIGHLAND

CITY OF HIGHLAND
Highland, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2014

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

NOVEMBER 24, 1987

CITY OF HIGHLAND

CITY OF HIGHLAND

TABLE OF CONTENTS

For the Fiscal Year Ended June 30, 2014

	Page Number
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Listing of Officials	ix
Organizational Chart	x
GFOA Certificate of Achievement	xi
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-wide Financial Statements:	15
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds:	19
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28
Proprietary Funds:	29
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Net Position	31
Statement of Cash Flows	32
Fiduciary Funds:	33
Statement of Net Position	34
Statement of Changes in Fiduciary Net Position	35
Notes to Basic Financial Statements	37

CITY OF HIGHLAND

TABLE OF CONTENTS
(Continued)

For the Fiscal Year Ended June 30, 2014

	Page Number
FINANCIAL SECTION (CONTINUED):	
Required Supplementary Information:	75
Schedule of Funding Progress:	
Other Post-Employment Benefit Plan	76
Budgetary Comparison Schedules:	
General Fund	77
Measure I Special Revenue Fund	79
Fire Department Special Revenue Fund	80
Grants Special Revenue Fund	81
Major Grants Special Revenue Fund	82
Note to Required Supplementary Information	84
Supplementary Information:	
Other Governmental Funds:	85
Combining Balance Sheet	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Other Special Revenue Funds:	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Traffic Safety Special Revenue Fund	98
Gas Tax Special Revenue Fund	99
Article 3 Special Revenue Fund	100
Community Development Block Grant Special Revenue Fund	101
Development Impact Fees Special Revenue Fund	102
Developer Fees Special Revenue Fund	103
Landscape Maintenance District Special Revenue Fund	104
Street Light District Special Revenue Fund	105
Community Trails District Special Revenue Fund	106
Parks Maintenance District Special Revenue Fund	107
Air Quality Management District Special Revenue Fund	108
COPS Special Revenue Fund	109
Street and Storm Drain Maintenance District Special Revenue Fund	110
Justice Assistance Grant Special Revenue Fund	111
Paramedic Department Special Revenue Fund	112
Housing Authority Special Revenue Fund	113

CITY OF HIGHLAND

TABLE OF CONTENTS
(Continued)

For the Fiscal Year Ended June 30, 2014

	Page Number
FINANCIAL SECTION (CONTINUED):	
Supplementary Information (Continued):	
Major and Other Capital Projects Funds:	115
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Capital Financing Capital Projects Fund - Major Fund	116
Community Facilities Districts Capital Projects Fund	117
Internal Service Funds:	119
Combining Statement of Net Position	120
Combining Statement of Revenues, Expenses and Changes in Net Position	121
Combining Statement of Cash Flows	122
Fiduciary Funds:	123
Statement of Changes in Fiduciary Assets and Liabilities - Community Facilities Districts Agency Fund	124
STATISTICAL SECTION (UNAUDITED):	
Description of Statistical Section Contents	125
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	126
Changes in Net Position - Last Ten Fiscal Years	127
Fund Balances of Governmental Funds - Last Four Fiscal Years	128
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	129
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Nine Fiscal Years	130
Direct and Overlapping Property Tax Rates - Current Fiscal Year	131
Principal Property Taxpayers - Current Fiscal Year	132
Property Tax Levies and Collections - Last Nine Fiscal Years	133

CITY OF HIGHLAND

TABLE OF CONTENTS
(Continued)

For the Fiscal Year Ended June 30, 2014

	Page Number
STATISTICAL SECTION (UNAUDITED) (CONTINUED):	
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	134
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	135
Direct and Overlapping Debt	136
Legal Debt Margin Information - Last Eight Fiscal Years	137
Pledged-Revenue Bond Coverage:	
Tax Allocation Bonds - Last Ten Fiscal Years	138
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Seventeen Calendar Years	139
Operating Information:	
Full-Time City Employees Only by Department - Last Ten Fiscal Years	140
Operating Indicators by Department - Last Ten Fiscal Years	141
Capital Asset Statistics by Function - Last Ten Fiscal Years	142

City of HIGHLAND Inc. 1987

December 9, 2014

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, 2014.

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 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, 2014. 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 fastest growing regions in the United States, not only in population, but in job growth rates as well. Highland has a current population of 54,033 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.

Lewis Operating Corporation and Orange County are currently processing entitlements for this area.

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 Manager, providing policy direction to staff as well as various other duties. The citizens of Highland elect council members at large every 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. 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 (HA), 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: Initiate construction of the new Fire Station No. 1, construct the infrastructure in the golden triangle, develop Orange County/Lewis Operating Corporation specific plan, complete construction of Boulder & Greenspot bridges and the specific plan for Third Street/Fifth Street Corridor; in addition to many capital projects that were approved through the Work Program that are too numerous to list.

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 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

Highland has seen revenue sources stabilize or even increase in 2013/2014. Although property taxes (not including the additional amounts from the former RDA) did marginally increase, Highland is still feeling the effect of the State stealing an additional local revenue source, vehicle license fees. Other revenues such as charges for services decreased while the extraction tax and transient occupancy tax increased. Intergovernmental revenue saw a slight decrease. Because of declining interest rates, investment income was down. With some declining revenues and expenditures increasing over the last four years, it was the efficient and careful watch of these expenditures that made it possible for the general fund to be balanced in 2013/2014. Although Highland does have a "rainy day" fund, we have never had to use it.

In adopting the 2013/2015 budget, the City had to take into consideration that expenditures were increasing at a higher rate than revenues. As a result, budgeted property taxes in the general fund and fire department fund for 2013/2014 and 2014/2015 were budgeted at a slightly higher amount that was received in 2012/2013. This was to compensate for the increase in the Police and Fire costs. Both the General Fund and Fire Department fund are balanced.

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 stabile unemployment rate in Highland.

For the future, there are a number of projects that 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." Recently, 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 developers for the north side of Greenspot Road. Meanwhile, the City will expend a total of $18M on improving Greenspot Road.

It is also anticipated that in the next few years, the newly annexed area on the east side of Highland will be developed.

Opening this past year in Highland is Family Dollar. They located in the Town Center on Base Line west of SR-210. CVS Pharmacy and a Baker's have already opened in this area. Family Dollar is also considering opening an additional store near Base Line/Victoria Avenue. Expected to open in 2014/2015 is Dick's BBQ. It is estimated that the revenues that these projects will bring in may be offset by an on-going increase in services required by existing programs.

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 one of the most fiscally healthy cities in the Inland Empire, if not the entire State. 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 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.

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. With the General Fund taking on an additional $755,000 in expenses,

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 2013-2015. This budget award is the highest form of recognition a City can receive in governmental budgeting. This was the twenty-third 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 2013-2015. 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 2015-2017 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, 2013 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-fourth consecutive year that the City has received such recognition. Eight 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, 2012. 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 professionalism, financial management and leadership, which is also critical to Highland's fiscal health.

Respectfully submitted,

Chuck Dantuono
Director of Administrative
Services/City Treasurer

NOVEMBER 24, 1987

CITY OF HIGHLAND

CITY OF HIGHLAND

Listing of Officials

June 30, 2014

Elected Officials

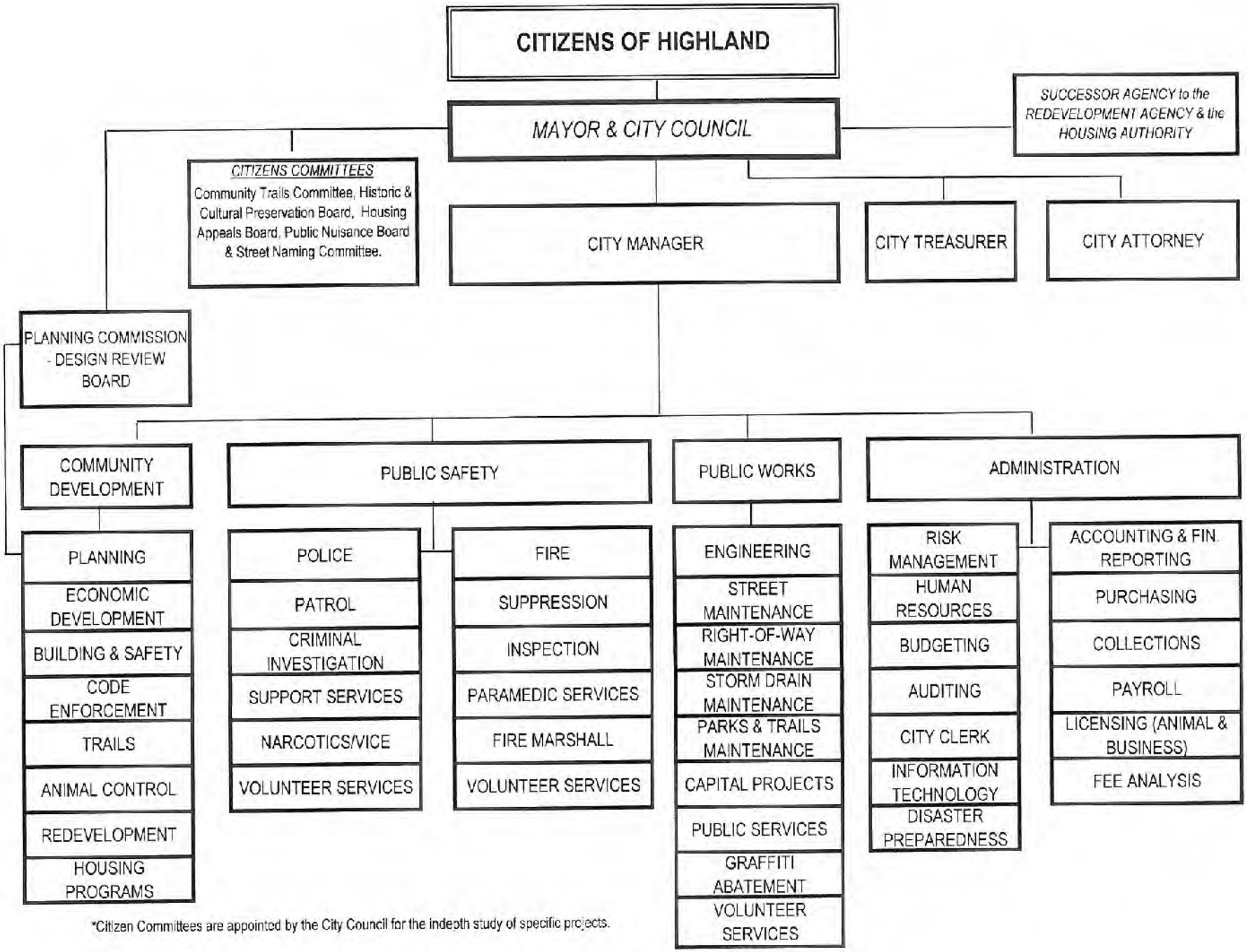
Mayor	Sam J. Racadio
Mayor Pro Tem	Larry McCallon
Council member	Penny Lilburn
Council member	Jody Scott
Council member	John P. Timmer

Finance/Personnel Subcommittee

Committee member	Sam J. Racadio
Committee member	John P. Timmer

Management

City Manager	Joseph A. Hughes
Administrative Analyst	David Danicly
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
City Planner	Kim Stater
City Engineer/Public Works Director	Ernie Wong
Assistant Public Works Director	Carlos Zamano
Police Chief	Capt. Mike Moore
Lieutenant	Tony DeCecio
Fire Chief (Battalion Chief)	Jesse Estrada



*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, 2013

Executive Director/CEO

NOVEMBER 24, 1987
CITY OF HIGHLAND

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

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

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 funding progress and budgetary comparison schedules, identified as required supplementary information 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 management's discussion and analysis and the schedule of funding progress 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 management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules and related note have 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 of the City 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

Other Matters (Continued)

Other Information (Continued)

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.

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 17, 2014, on our consideration of the City of Highland 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 Diehl Evans LLP

Irvine, California
November 17, 2014

NOVEMBER 24, 1987
CITY OF HIGHLAND

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, 2014. 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.

See independent auditors' report.

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

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows	• 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.

See independent auditors' report.

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 and liabilities – 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.

See independent auditors' report.

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, 2014

	Governmental Activities	
	2014	2013
Current and other assets	$ 55,165,466	$ 59,135,956
Capital assets, net	209,245,635	197,080,972
Total assets	264,411,101	256,216,928
Long-term liabilities	952,070	852,762
Other liabilities	3,921,395	6,197,083
Total liabilities	4,873,465	7,049,845
Net position:		
Investment in capital assets	209,245,635	197,080,972
Restricted	35,679,537	28,766,146
Unrestricted	14,612,464	23,319,965
Total net position	$259,537,636	$249,167,083

The largest portion of the City's net position (80.6%) 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 (13.8%) 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 (5.6%) 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.

See independent auditors' report.

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

Changes in Net Position
June 30, 2014
Governmental Activities

	2014	2013
Program Revenues:		
Charges for services	$ 5,773,324	$ 5,471,971
Operating contributions & grants	7,901,021	2,346,472
Capital contributions & grants	17,151,933	7,866,306
Total Program Revenues	30,826,278	15,684,749
General Revenues:		
Property taxes	4,311,534	7,528,512
Sales & use tax	1,639,446	1,643,959
Transient occupancy tax	249,722	228,490
Franchise fees	1,500,203	1,471,668
Business license tax	253,690	232,909
Intergovernmental	47,160	57,684
Investment income	48,567	58,651
State motor vehicle in lieu	3,876,740	3,764,950
Rental Income	-	120,601
Land Contribution from Successor Agency	-	1,645,592
Miscellaneous	1,004,511	463,553
Total General Revenues	12,931,573	17,216,569
Total revenues	43,757,851	32,901,318
Expenses:		
General government	7,288,603	7,992,150
Highways & streets	13,352,100	5,461,910
Public safety	11,800,508	10,858,918
Interest and fiscal charges	-	-
Total expenses	32,441,211	24,312,978
Change in net position	11,316,640	8,588,340
Restatement of Land (note 16)	-	(1,998,141)
Extraordinary Item-Repayment of Advance	(946,087)	(2,168,384)
Change in net position	10,370,553	4,421,815
Beginning net position	249,167,083	244,745,268
Ending net position	$ 259,537,636	$ 249,167,083

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 4.0% ($249.2M compared to $259.5M). The net position (financial position) of the City changed as a result of the revenue and expense fluctuations described below.

See independent auditors' report.

The increase in total program revenues above is due to the continual use of grants this past year. Highland utilized HBP (Highway Bridge Program) grants for the construction of Boulder Avenue Bridge and Greenspot Road Bridge. Also utilized were three SLPP state grants. Several smaller grants were also used. General revenues would have been relatively flat if it were not for the land that was contributed by the Successor Agency in 2012/2013 and additional property taxes received in 2012/2013 due to the dissolution of the former RDA. This contributed to the decrease of general revenues in 2013/2014. General revenues are expected to increase slightly in 2013/2014.

Overall expenses in general governmental decreased as a result of the General Services fund, an internal service fund, not being charged back to the different departments, primarily in the general fund. This was done in the 2013/2015 budget to help balance the budget. The Insurance fund also contributed to this by having fewer expenses in 2013/2014 than 2012/2013. Expenses in Highways & Streets increased as a result of grant activity-primarily because of the HBP grant discussed above for Boulder Avenue Bridge. Public Safety expenses increased primarily due to the increase in contracts for the Sheriff's Department for police services and Cal-Fire for fire suppression and paramedic services. With the elimination of the RDA, there should be no expenses for Interest and Fiscal Charges because the City has no debt.

The change in net position before applying Extraordinary Items is a result of the situations discussed above. In 2013/2014, the city paid back loan interest of $946,087. In 2012/2013, Highland incurred an Extraordinary Item loss of $2,168,384 because the City was required by the State to pay back the loans the RDA has previously paid back to the City.

For the reasons stated above, the City's net position increased by $10.4M ($249.2M to $259.5M).

Governmental Activities

Revenues by Source

	2013/2014	%	2012/2013	%
Charges for services	$ 5,773,324	13.2%	$ 5,471,971	16.6%
Operating contributions & grants	7,901,021	18.1%	2,346,472	7.1%
Capital contributions & grants	17,151,933	39.2%	7,866,306	23.9%
Property taxes	4,311,534	9.9%	7,528,512	22.9%
Sales & use tax	1,639,446	3.7%	1,643,959	5.0%
Transient occupancy tax	249,722	0.6%	228,490	0.7%
Franchise fees	1,500,203	3.4%	1,471,668	4.5%
Business license tax	253,690	0.6%	232,909	0.7%
Intergovernmental	47,160	0.1%	57,684	0.2%
Investment income	48,567	0.1%	58,651	0.2%
State motor vehicle in lieu	3,876,740	8.9%	3,764,950	12.1%
Rental income	-	0.0%	120,601	0.5%
Land contribution from SA	-	0.0%	1,645,592	5.0%
Miscellaneous	1,004,511	2.3%	463,553	1.4%
Total Revenues	$43,757,851	100.0%	$32,901,318	100.0%

Expenses by Function

	2013/2014	%	2012/2013	%
General government	$ 7,288,603	22.5%	$ 7,992,150	32.9%
Highways & streets	13,352,100	41.2%	5,461,910	22.5%
Public safety	11,800,508	36.4%	10,858,918	44.7%
Interest and fiscal charges	-	0.0%	-	0.0%
Total Expenses	$ 32,441,211	100.0%	$24,312,978	100.0%

See independent auditors' report.

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 $8,479,235. 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) decreased by $2,459,910, a 17.5% decrease. This decrease is directly reflective of the $2,556,372 that the City received in 2012/2013 as a result of the RDA dissolving. As a result of the RDA dissolution, the City received a portion of the amount that the RDA paid to the State, roughly 24% of the $14,676,119. See footnote 16 on page 73 of the 2012/2013 CAFR for more details. Taxes decreased by 26.4% or $3,055,304 for the reason just discussed. Licenses and Permits increased mildly by 1.7% or $9,045. Miscellaneous revenue increased by 76.6% or $826,724. This was mainly due to receiving a one-time reimbursement from the San Bernardino County Sheriff's Department for Worker's Compensation. Intergovernmental revenue decreased by 46.2% or $39,474 mainly because of the state taking the VLF funds and Charges for Services decreased by 1.0% or $9,227 due in part to development not coming back as strong as hoped. Interest income decreased by 78.6% or $7,989 as a result of declining interest rates. With the passage of Proposition 57 and AB 1768, some motor vehicle in lieu and sales tax funds that used to be classified as intergovernmental funds is now classified as taxes.

- Total expenses (excluding operating transfers) decreased by $1,122,123. Prior to 2013/2014, Gas Tax expenses were accounted for in the General Fund and the Gas Tax fund would reimburse the General Fund. This is no longer practiced. This is the main reason for the significant decrease. Although there was an increase in the Sheriff contract, all departments were vigilant with their budgets and this accounted for an overall increase of expenses of only 0.9% not counting the Gas Tax expenses in 2012/2013.

- Fund Balance in the general fund decreased by $96,122 primarily due to the City having to repay back a loan to the Successor Agency in the amount of $946,087. This loan has been accrued and will be paid back to the City when the DOF approves of this on a future ROPS. If not for this loan being repaid back, the fund balance in the General Fund would have increased by $849,965 or 9.9%.

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

See independent auditors' report.

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 $463,882 in 2012/2013 to $22,940 in 2013/2014 primarily due to the settlement received from the County of San Bernardino regarding the Property Tax Admin Fees lawsuit in 2012/2013. As with most funds, investment income decreased by 7.1% or $1,400.

- Expenses in this fund decreased by $574,317 due to this fund being heavily used to match grants for capital projects in 2012/2013. This fund assisted with various street projects in 2013/2014, but not to the extent it did in 2012/2013. 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 $738,838. This is because this fund does not have a dedicated funding source. It is the accumulation of savings in prior years to fund projects in future years that has given this fund the fund balance it has.

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 increased by $1,472,219 primarily because of the HBP (Highway Bridge Program) grants the City used to construct the Boulder Avenue Bridge and Greenspot Road Bridge.

- Typically, revenues should equal expenses in the 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 2013/2014, the HBP grant expenses of the Greenspot Road Bridge needed to be pre-funded meaning the City knew the reimbursement would not be immediate. The City fronted these funds and will receive the revenue in 2014/2015. This amount is around $4.5M.

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 increase in revenues in this fund of 15.2% due to property taxes increasing by 5.0% and the City receiving a payment in the amount of $328,047 called Residual Balance which is due to the dissolution of the former RDA. Interest Income decreased by 6.9%. Licenses & Permits increased by $9,888 or 26.2%.

- The overall expenses in this department increase by $499,245 or 26.7%, solely due to the loss of a state funded engine at Fire Station No. 1. The City picked up this cost starting on January 1, 2013. Fiscal year 2013/2014 is the first full year of this increase. The City contracts with Cal-Fire for Fire Suppression services.

- The fund balance of this fund increased by $124,407. This was due to the contract services line item coming in under budget and the Residual Balance payment discussed above.

See independent auditors' report.

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 increased by $3,499,568 primarily due to a SLPP state grant for Greenspot Road, an SLPP state grant for Greenspot Road Bridge and joint projects with East Valley Water District and the Inland Valley Development Agency (IVDA). These grants and joint projects will vary from year to year.

- The fund balance of this fund decreased by $340,796 due to grant reimbursements and joint project reimbursements not being received in a timely manner. These revenues will be accounted for in 2014/2015.

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 decrease in total revenue of $786,274 was due to a grant in the amount of $742,413 received from SANBAG for the Church Street improvement project in 2012/2013. Measure I funds (the ½ cent sales tax increase on gasoline) received decreased by $43,025. Investment income decreased by $836.

- The overall expenses in this department decreased by $737,979 primarily due to this fund being heavily used in 2012/2013. Although this fund was utilized in 2013/2014, it was not used with the same frequency in 2013/2014 due to the city receiving many grants. This fund was used for projects such as, Boulder Bridge project, the Greenspot Road Bridge project, the Base Line median project and the 9th Street Safety Improvements project.

- The fund balance of this fund decreased by $14,035. This fund will continue see more activity with the continued construction of Greenspot Road bridge in 2013/2014.

Major Enterprise Funds

The City does not have any enterprise funds.

GENERAL FUND-BUDGET

The total expenses of the general fund did not exceed the total appropriations for 2013/2014.

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:

- $28,640 for completing the Upper Santa Ana River Wash Land Management and Habitat Conservation Plan.

See independent auditors' report.

- $946,087 General Fund transfer to the Successor Agency for the repayment of a loan as a result of the RDA dissolution.

Additional information on the City's budget adjustments and policies can be found in the notes to required supplementary information on page 84.

CAPITAL ASSETS

Capital Assets (net of depreciation)
Governmental Activities

	2014	2013
Land	$4,230,405	$4,230,405
Rights of Way	86,675,312	86,675,312
Construction in progress	14,021,025	11,992,960
Buildings & improvements	33,375,512	34,177,050
Equipment, furniture & software	2,638,543	2,633,100
Vehicles	1,562,811	1,487,910
Infrastructure	66,742,027	55,884,235
Total	$209,245,635	$197,080,972

The major additions to capital assets during the year ended June 30, 2014 were as follows:

- Purchased a two new Ford F-150 Super Cabs and a new F-450 Crew Cab.
- Installed ALPR (Automated License Plate Readers) throughout the City.
- Purchased a new C-Max Hybrid pool car with AQMD funds.
- Purchased a Bobcat Skid-Steer Loader for Public Works.

Infrastructure additions include but are no limited to:

- Project No. SDR 10-001 Sterling Ave Pavement Rehab.
- Project No. BRG 04-004 Boulder Ave Bridge.
- Project No. STR 09-003 Olive Street Improvements.

Additional information on the City's capital assets can be found in the notes to the financial statements starting on page 57.

LONG-TERM DEBT

The City has no debt! It has been a long standing policy of the City Council since incorporation to have a "pay as you go" philosophy.

Additional information on the City's long-term liabilities can be found in the notes to the accompanying financial statements starting on page 58.

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.

See independent auditors' report.

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.

NOVEMBER 24, 1987
CITY OF HIGHLAND

CITY OF HIGHLAND

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS:	
Cash and investments	$ 39,139,369
Restricted cash and investments:	
Cash and investments with fiscal agent	23,432
Escrow deposits	443,791
Receivables, net:	
Accounts	1,362,484
Interest	19,232
Property taxes	163,625
Loans	834,220
Due from other governments	11,067,257
Advance to Successor Agency	2,100,000
Inventory	3,966
Prepaids items	8,090
Capital assets:	
Nondepreciable	104,926,742
Depreciable, net of accumulated depreciation	104,318,893
TOTAL ASSETS	264,411,101
LIABILITIES:	
Accounts payable	2,258,933
Accrued liabilities	90,682
Retention payable	796,754
Deposits payable	775,026
Long-term liabilities:	
Due within one year	146,014
Due in more than one year	806,056
TOTAL LIABILITIES	4,873,465
NET POSITION:	
Net investment in capital assets	209,245,635
Restricted for:	
Public safety	11,383,704
Highways and streets	22,951,998
Affordable housing	1,343,835
Unrestricted	14,612,464
TOTAL NET POSITION	$ 259,537,636

See independent auditors' report and notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 2014
Governmental activities:					
General government	$ 7,288,603	$ 1,037,804	$ 11,053	$ 836,574	$ (5,403,172)
Public safety	11,800,508	3,785,784	224,759	-	(7,789,965)
Highways and streets	13,352,100	949,736	7,665,209	16,315,359	11,578,204
Total governmental activities	$ 32,441,211	$ 5,773,324	$ 7,901,021	$ 17,151,933	(1,614,933)

General revenues:	
Taxes:	
Property taxes	4,311,534
Sales and use tax	1,639,446
Transient occupancy tax	249,722
Franchise taxes	1,500,203
Business license tax	253,690
Intergovernmental	47,160
Investment income	48,567
State motor vehicle in lieu, unrestricted	3,876,740
Miscellaneous	1,004,511
Total general revenues	12,931,573
Change in net position, before extraordinary items	11,316,640
Extraordinary Items:	
Return of interest to Successor Agency	(946,087)
Total extraordinary items	(946,087)
Change in net position	10,370,553
Net position - Beginning of Year, as restated	249,167,083
Net position - End of Year	$ 259,537,636

See independent auditors' report and notes to basic financial statements.

Governmental Funds

Major Funds

A fund meets the criteria of a major fund if;

The total amount of assets, liabilities, revenues (excluding extraordinary items), or expenditures/expenses (excluding extraordinary items), of that fund are at least 10 percent of the corresponding total (assets, 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, liabilities, 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 funds have been classified as major funds:

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.

Miscellaneous Grant Fund - This fund is used to account for non-federal grants and joint project with municipalities that are not required to be accounted for in its own fund. Examples of grants include; SLPP, SR2S, NT, 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; HBRR, HSIP, HBP, HES, TE, COPS, Safe Route to Schools and the State Homeland Security Grant programs.

Debt Service Funds

Debt Service Funds are used primarily to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City.

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.

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.

NOVEMBER 24, 1987
CITY OF HIGHLAND

CITY OF HIGHLAND

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

		Special Revenue Funds	
	General	Measure I	Fire Department
ASSETS			
Cash and investments	$ 5,075,330	$ 7,238,309	$ 6,154,028
Restricted cash and investments:			
Cash and investments with fiscal agent	-	-	-
Escrow deposits	-	-	-
Receivables:			
Accounts	660,001	-	550,912
Interest	2,229	3,572	2,721
Property taxes	80,269	-	50,464
Loans	138,492	-	-
Due from other governments	322,991	128,484	89,636
Due from other funds	2,467,692	-	-
Inventory	3,966	-	-
Advance to Successor Agency	1,240,000	-	-
Prepaid items	8,090	-	-
TOTAL ASSETS	$ 9,999,060	$ 7,370,365	$ 6,847,761
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 665,384	$ 75,385	$ 26,795
Accrued liabilities	70,924	-	-
Retention payable	-	-	2,302
Deposits payable	775,026	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	1,511,334	75,385	29,097
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	8,491	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,491	-	-
FUND BALANCES (DEFICIT):			
Nonspendable	1,390,548	-	-
Restricted	-	7,294,980	6,818,664
Assigned	5,079,911	-	-
Unassigned	2,008,776	-	-
TOTAL FUND BALANCES (DEFICIT)	8,479,235	7,294,980	6,818,664
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 9,999,060	$ 7,370,365	$ 6,847,761

See independent auditors' report and notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Fund		
Grants	Major Grants	General Capital Financing	Other Governmental Funds	Total Governmental Funds
$ 277,136	$ -	$ 2,399,902	$ 12,773,816	$ 33,918,521
-	-	-	23,432	23,432
-	443,791	-	-	443,791
-	-	-	71,607	1,282,520
148	-	4,207	3,660	16,537
-	-	-	32,892	163,625
-	-	-	695,728	834,220
2,620,716	6,951,170	-	954,260	11,067,257
-	-	6,444,370	-	8,912,062
-	-	-	-	3,966
-	-	480,000	380,000	2,100,000
-	-	-	-	8,090
$ 2,898,000	$ 7,394,961	$ 9,328,479	$ 14,935,395	$ 58,774,021
$ 436,566	$ 378,267	$ 90,306	$ 569,920	$ 2,242,623
-	-	-	15,707	86,631
88,140	572,324	133,988	-	796,754
-	-	-	-	775,026
985,660	6,444,370	-	1,482,032	8,912,062
1,510,366	7,394,961	224,294	2,067,659	12,813,096
1,521,464	5,714,600	-	1,311,545	8,556,100
1,521,464	5,714,600	-	1,311,545	8,556,100
-	-	-	-	1,390,548
-	-	-	13,009,793	27,123,437
-	-	9,104,185	-	14,184,096
(133,830)	(5,714,600)	-	(1,453,602)	(5,293,256)
(133,830)	(5,714,600)	9,104,185	11,556,191	37,404,825
$ 2,898,000	$ 7,394,961	$ 9,328,479	$ 14,935,395	$ 58,774,021

NOVEMBER 24, 1987
CITY OF HIGHLAND

CITY OF HIGHLAND

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

June 30, 2014

Fund balances for governmental funds		$ 37,404,825
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Related Items		
When capital assets (property, plant, equitment) 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	$ 104,926,742	
Capital assets, being depreciated	157,074,245	
Accumulated depreciation	(52,755,352)	
		209,245,635
Long-Term Debt Transactions		
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period an, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.		
Compensated absences	(536,732)	
Other post employment benefits	(266,718)	
		(803,450)
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.		5,134,526
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.		8,556,100
Net position of governmental activities		$ 259,537,636

See independent auditors' report and 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, 2014

		Special Revenue Funds	
	General	Measure I	Fire Department
REVENUES:			
Taxes	$ 11,554,767	$ -	$ 2,265,592
Licenses and permits	534,844	-	47,662
Intergovernmental	85,422	803,415	328,047
Charges for services	916,934	-	550,912
Fines and forfeitures	100,419	-	-
Investment income	10,160	16,707	13,444
Rental income	-	-	-
Miscellaneous	826,724	-	-
TOTAL REVENUES	14,029,270	820,122	3,205,657
EXPENDITURES:			
Current:			
General government	5,282,008	-	144,327
Highways and streets	-	257,993	-
Public safety	7,860,901	-	2,222,858
Capital outlay	22,968	576,164	48,926
TOTAL EXPENDITURES	13,165,877	834,157	2,416,111
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	863,393	(14,035)	789,546
OTHER FINANCING SOURCES (USES):			
Transfers in	20,000	-	-
Transfers out	(33,428)	-	(665,139)
TOTAL OTHER FINANCING SOURCES (USES)	(13,428)	-	(665,139)
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	849,965	(14,035)	124,407
EXTRAORDINARY ITEM:			
Successor Agency reimbursement	(946,087)	-	-
NET CHANGE IN FUND BALANCES	(96,122)	(14,035)	124,407
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	8,575,357	7,309,015	6,694,257
FUND BALANCES (DEFICIT) - END OF YEAR	$ 8,479,235	$ 7,294,980	$ 6,818,664

See independent auditors' report and notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Fund		
Grants	Major Grants	General Capital Financing	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 1,048,641	$ 14,869,000
-	-	-	-	582,506
3,940,155	1,998,773	-	2,518,632	9,674,444
-	-	-	495,682	1,963,528
-	-	-	356,881	457,300
691	-	19,703	28,827	89,532
-	-	-	122,441	122,441
-	-	3,237	40,393	870,354
3,940,846	1,998,773	22,940	4,611,497	28,629,105
-	-	536,863	183,811	6,147,009
632,841	174,414	-	2,662,088	3,727,336
-	-	-	1,229,889	11,313,648
3,648,801	6,516,022	224,915	3,030,491	14,068,287
4,281,642	6,690,436	761,778	7,106,279	35,256,280
(340,796)	(4,691,663)	(738,838)	(2,494,782)	(6,627,175)
-	1,868	-	686,699	708,567
-	-	-	(10,000)	(708,567)
-	1,868	-	676,699	-
(340,796)	(4,689,795)	(738,838)	(1,818,083)	(6,627,175)
-	-	-	-	(946,087)
(340,796)	(4,689,795)	(738,838)	(1,818,083)	(7,573,262)
206,966	(1,024,805)	9,843,023	13,374,274	44,978,087
$ (133,830)	$ (5,714,600)	$ 9,104,185	$ 11,556,191	$ 37,404,825

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, 2014

Net change in fund balances, after extraordinary items - total governmental funds		$ (7,573,262)
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	$ 7,174,136	
Contribution from successor agency	8,852,231	
Depreciation of capital assets	(3,778,344)	
Disposal of capital assets	(83,360)	12,164,663
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	(50,580)	
Changes in other post employment benefits	(41,108)	(91,688)
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.		6,347,021
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.		(476,181)
Change in net position of governmental activities, after extraordinary items		$ 10,370,553

See independent auditors' report and notes to basic financial statements.

PROPRIETARY FUNDS

Governmental Activities

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 and the General Services Fund.

Insurance - This fund accounts for all expenditures relating to insurance premiums, 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 and repairs.

CITY OF HIGHLAND

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Governmental Activities - Internal Service Funds
ASSETS:	
CURRENT ASSETS:	
Cash and investments	$ 5,220,848
Receivables:	
Accounts receivable	79,964
Interest receivable	2,695
TOTAL ASSETS	5,303,507
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	16,310
Accrued liabilities	4,051
Claims payable	63,927
TOTAL CURRENT LIABILITIES	84,288
LONG-TERM LIABILITIES:	
Claims payable	84,693
TOTAL LONG-TERM LIABILITIES	84,693
TOTAL LIABILITIES	168,981
NET POSITION:	
Unrestricted	5,134,526
TOTAL NET POSITION	$ 5,134,526

See independent auditors' report and 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, 2014

	Governmental Activities - Internal Service Funds
OPERATING REVENUES:	
Charges for services	$ 368,749
Miscellaneous	24,088
TOTAL OPERATING REVENUES	392,837
OPERATING EXPENSES:	
Salaries and benefits	78,018
Insurance premiums	108,783
Claims and judgements	61,121
Legal fees	122,991
Administrative expenses	500,532
Insurance adjusting fees	10,427
TOTAL OPERATING EXPENSES	881,872
OPERATING LOSS	(489,035)
NONOPERATING REVENUES:	
Investment income	12,854
TOTAL NONOPERATING REVENUES	12,854
CHANGE IN NET POSITION	(476,181)
TOTAL NET POSITION - BEGINNING OF YEAR	5,610,707
TOTAL NET POSITION - END OF YEAR	$ 5,134,526

See independent auditors' report and notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	$ 374,125
Cash payments to employees for services	(120,439)
Cash payments made to suppliers/vendors	(1,983,041)
NET CASH USED BY OPERATING ACTIVITIES	(1,729,355)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	13,267
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,267
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,716,088)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,936,936
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,220,848
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (489,035)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) decrease in accounts receivable	(18,713)
Increase (decrease) in accounts payable	(1,218,587)
Increase (decrease) in accrued liabilities	2,259
Increase (decrease) in retentions payable	(12,900)
Increase (decrease) in claims payable	7,621
Total Adjustments	(1,240,320)
NET CASH USED BY OPERATING ACTIVITIES	$ (1,729,355)

See independent auditors' report and notes to basic financial statements.

FIDUCIARY FUNDS

Fiduciary funds 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, 2014

	Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund	Agency Fund
ASSETS:		
Cash and investments	$ 30,143,613	$ -
Restricted cash and investments:		
Cash and investments with fiscal agent	5,225,624	3,784,983
Interest receivable	1,568	-
TOTAL ASSETS	35,370,805	$ 3,784,983
LIABILITIES:		
Accounts payable	$ 978,145	$ -
Accrued liabilities	2,089	-
Accrued interest payable	210,260	-
Retention payable	359,883	-
Advance from City of Highland	2,100,000	-
Held for bondholders	-	3,784,983
Long-term liabilities:		
Due within one year	1,320,000	-
Due in more than one year	54,305,000	-
TOTAL LIABILITIES	59,275,377	$ 3,784,983
NET POSITION HELD IN TRUST	$ (23,904,572)	

See independent auditors' report and notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2014

	Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes	$ 4,565,907
Investment income	18,720
Miscellaneous	43,669
TOTAL ADDITIONS	4,628,296
DEDUCTIONS:	
Program expenses	192,891
Capital contributions to City of Highland	8,852,231
Interest	2,676,321
Residual payment to county auditor controller	104,460
TOTAL DEDUCTIONS	11,825,903
EXTRAORDINARY GAIN	946,087
CHANGE IN NET POSITION	(6,251,520)
NET POSITION - BEGINNING OF YEAR	(17,653,052)
NET POSITION - END OF YEAR	$ (23,904,572)

See independent auditors' report and notes to basic financial statements.

NOVEMBER 24, 1987
CITY OF HIGHLAND

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Highland have been prepared in conformity 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 by a joint exercise of joint powers agreement between the City of Highland and the Highland Redevelopment Agency on October 27, 1992. 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.

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, 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.

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.

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.

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 and current liabilities 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. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

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.

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, 2014.

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.

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, all deferred outflows of resources, all liabilities and all deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their balance sheets. 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.

Agency funds are custodial in nature (assets equal liabilities) and do 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.

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 revenues 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 non-federal 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.

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.

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 activities associated with an association and third party projects.

D. New Accounting Pronouncements:

Current Year Standards:

GASB 66 - "*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*", required to be implemented in the current fiscal year did not impact the City.

GASB 70 - "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*", required to be implemented in the current fiscal year did not impact the City.

Pending Accounting Standards:

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

- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "*Government Combinations and Disposals of Government Operations*", effective for periods beginning after December 15, 2013.
- GASB 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", effective for the periods beginning after June 15, 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues from grants*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

H. 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 balance sheet 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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. 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.

J. 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 market value at the date of the contribution. 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.

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 balance sheet.

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

Buildings and improvements	20 - 50 years
Equipment, furniture, vehicles and software	3 - 20 years
Infrastructure - road system and storm drains	25 - 75 years
Equipment and furniture	3 - 20 years
Vehicles and major equipment	3 - 15 years
Infrastructure	40 - 90 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. 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.

L. 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.

M. 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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 in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectability of its receivables (e.g. accounts receivable, intergovernmental receivables, loans receivable, amounts due from other funds and amounts advanced to other funds), the depreciation of its capital assets and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2014 are classified in the accompanying financial statements as follows:

	Primary Government Government-Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	$ 39,139,369	$ 30,143,613	$ 69,282,982
Restricted cash and investments:			
Cash and investments with fiscal agent	23,432	9,010,607	9,034,039
Escrow deposits	443,791	-	443,791
Total Cash and Investments	$ 39,606,592	$ 39,154,220	$ 78,760,812

Cash and investments at June 30, 2014 consisted of the following:

Primary Government

Cash on hand	$ 1,150
Deposits with financial institutions	(2,913,959)
Escrow deposits	443,791
Investments	42,075,610
Total Cash and Investments	$ 39,606,592

Fiduciary Funds

Pooled cash and investments with the Primary Government	$ 8,309,421
Investments	30,844,799
Total Cash and Investments	$ 39,154,220

See independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

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
U.S. 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	1 year	None	None
Reverse Repurchase Agreements	92 days	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

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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.

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:

	Remaining Maturity (in Months)		
Investment Type	1 to 3 Months	More than 60 Months	Total
California Asset Management Program (CAMP) - City	$ 6,161,220	$ -	$ 6,161,220
CAMP - Successor Agency	18,991,242	-	18,991,242
LAIF - City	35,890,958	-	35,890,958
LAIF - Successor Agency	2,842,950	-	2,842,950
Held by bond fiscal agent:			
Money market mutual funds:			
City	23,432	-	23,432
Successor Agency	5,225,624	-	5,225,624
CFD	2,804,983	-	2,804,983
Investment contracts - CFD	980,000	-	980,000
Total	$ 72,920,409	$ -	$ 72,920,409

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 rating, as of year end for each investment type:

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Investment Type	Total as of June 30, 2014	Minimum Legal Rating	AAA	Not Rated
CAMP - City	$ 6,161,220	N/A	$ 6,161,220	$ -
CAMP - Successor Agency	18,991,242	N/A	18,991,242	-
LAIF - City	35,890,958	N/A	-	35,890,958
LAIF - Successor Agency	2,842,950	N/A	-	2,842,950
Held by bond fiscal agent:				
Money market mutual funds:				
City	23,432	A	-	23,432
Successor Agency	5,225,624	A	-	5,225,624
CFD	2,804,983	A	-	2,804,983
Investment contracts - CFD	980,000	N/A	-	980,000
Total	$ 72,920,409		$ 25,152,462	$ 47,767,947

N/A - Not Applicable

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, 2014, the City and the Successor Agency deposits (bank balances) were either insured by the Federal Depository Insurance Corporation or were collateralized under California Law.

2. CASH AND INVESTMENTS (CONTINUED):

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.

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.

3. INTERFUND RECEIVABLES AND PAYABLES:

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

Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Grants Special Revenue Fund	$ 985,660
	Other Governmental Funds	1,482,032
General Capital Financing Capital Projects Fund	Major Grants Special Revenue Fund	6,444,370
		$ 8,912,062

These interfund balances are short-term borrowings to cover deficit cash. These borrowings are expected to be repaid in fiscal year 2015.

4. INTERFUND TRANSFERS:

Interfund transfers at June 30, 2014, consisted of the following:

Transfer Out of Fund	Transfers In to Fund	Amount
General Fund	Other Governmental Funds	$ 31,560
	Major Grants Special Revenue Fund	1,868
Fire Department Special Revenue Fund	Other Governmental Funds (a)	655,139
	General Fund	10,000
Other Governmental Funds	General Fund	10,000
		$ 708,567

(a) The Fire Department Special Revenue Fund transferred $655,139 to the Paramedic Department Special Revenue Fund to fund a shortage of medic tax revenue.

5. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	$ 4,230,405	$ -	$ -	$ -	$ 4,230,405
Rights of way	86,675,312	-	-	-	86,675,312
Construction in progress	11,992,960	13,135,911	-	(11,107,846)	14,021,025
Total capital assets, not being depreciated	102,898,677	13,135,911	-	(11,107,846)	104,926,742
Capital assets, being depreciated:					
Buildings and improvements	39,984,527	-	-	-	39,984,527
Equipment, furniture and software	3,477,371	192,048	-	-	3,669,419
Vehicles	2,361,601	-	-	143,924	2,505,525
Infrastructure - road system	86,018,702	1,328,664	(456,807)	10,795,516	97,686,075
Infrastructure - storm drains	11,702,535	1,369,744	(11,986)	168,406	13,228,699
Total capital assets, being depreciated	143,544,736	2,890,456	(468,793)	11,107,846	157,074,245
Less accumulated depreciation for:					
Buildings and improvements	(5,807,477)	(801,538)	-	-	(6,609,015)
Equipment, furniture and software	(844,271)	(186,605)	-	-	(1,030,876)
Vehicles	(873,691)	(69,023)	-	-	(942,714)
Infrastructure - road system	(39,850,126)	(2,556,637)	383,549	-	(42,023,214)
Infrastructure - storm drains	(1,986,876)	(164,541)	1,884	-	(2,149,533)
Total accumulated depreciation	(49,362,441)	(3,778,344)	385,433	-	(52,755,352)
Total capital assets, being depreciated, net	94,182,295	(887,888)	(83,360)	11,107,846	104,318,893
Total governmental activities capital assets, net	$ 197,080,972	$ 12,248,023	$ (83,360)	$ -	$ 209,245,635

See independent auditors' report.

5. CAPITAL ASSETS (CONTINUED):

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

Governmental activities:	
General government	$ 560,872
Highways and streets	2,730,613
Public safety	486,859
Total	$ 3,778,344

6. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year	Due in More Than One Year
Other Liabilities:						
Claims payable	$ 140,999	$ 61,121	$ (53,500)	$ 148,620	$ 63,927	$ 84,693
Compensated absences	486,152	209,493	(158,913)	536,732	82,087	454,645
Other post-employment benefits (Note 7)	225,611	55,507	(14,400)	266,718	-	266,718
Total	$ 852,762	$ 326,121	$ (226,813)	$ 952,070	$ 146,014	$ 806,056

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, 2014 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, 2014 for general liability amounted to $148,620 and for workers' compensation was $0.

6. LONG-TERM LIABILITIES (CONTINUED):

Compensated Absences:

The City's policies relating to compensated absences are described in Note 1K. This liability, to be paid in future years primarily from the general fund, at June 30, 2014 is $536,732.

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, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	6
Active plan members	25
Total	31

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 2013-14, the City contributed $14,400 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, 2014 was $54,003 and was determined as part of an actuarial valuation dated July 1, 2012.

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	$ 54,003
Interest on net OPEB obligation	9,024
Adjustment to annual required contribution	(7,520)
Annual OPEB cost (expense)	55,507
Actual contributions made	(14,400)
Change in net OPEB obligation	41,107
Net OPEB Obligation - beginning of year	225,611
Net OPEB Obligation - end of year	$ 266,718

The net OPEB obligation of $266,718 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, 2014 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)
6/30/12	$ 58,852	$ 14,000	23.79%	$ 185,408
6/30/13	54,003	13,800	25.55%	225,611
6/30/14	55,507	14,400	26.67%	266,718

Funded Status and Funding Progress:

As of July 1, 2012, the latest actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was $506,596, and the actuarial value of assets was zero, resulting in an unfunded accrued actuarial liability (UAAL) of $506,596. The covered payroll (annual payroll of active employees covered by the plan) was $2,554,160 and the ratio of the UAAL to the covered payroll was 19.83%.

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, 2012 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. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN):

Plan Description:

The City of Highland contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

8. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

Contributions:

Active plan members in the Plan are required to contribute 7% (classic members) or 6.25% (new members) of their annual covered salary. For classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the PERS System), the City pays the employee contribution on behalf of the employees. For new members (employees hired after January 1, 2013 and are new entrants to the PERS System or have been out of the PERS System for more than six months), the members are responsible for their contribution. The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2014 is 15.398% for classic members and 6.7% for new members of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts. The City's contributions to the plan for the years ended June 30, 2014, 2013 and 2012 were $363,019, $354,460, and $370,660, respectively, and were equal to the required contributions for each year.

Three-Year Trend Information:

Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	14.512%	$ 370,660	100%	$ -
6/30/13	14.744%	354,460	100%	-
6/30/14	15.398%	363,019	100%	-

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.

9. RISK MANAGEMENT (CONTINUED):

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.

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, 2014 were as follows:

Workers' compensation claims	$ -
General liability claims	148,620
Total	$ 148,620

Changes in the claims liability amounts were:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
6/30/13	$ 130,819	$ 10,180	$ -	$ 140,999
6/30/14	140,999	61,121	(53,500)	148,620

See independent auditors' report.

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.

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, 2014, the amount outstanding was $4,910,000.

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. At June 30, 2014, the amount outstanding was $1,980,000.

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.

12. INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

For the year ended June 30, 2014, the following funds had deficit fund balances:

Major Fund:	
Grants Special Revenue Fund	$ (133,830)
Major Grants Special Revenue Fund	(5,714,600)
Other Governmental Funds:	
Article 3 Special Revenue Fund	(93,192)
Street Light District Special Revenue Fund	(744,593)
FEMA Special Revenue Fund	(615,817)

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

Grants Special Revenue Fund - The negative fund balance for this fund relates to unavailable revenues for receivable from other governmental agencies that are outside of the availability period. Once the receivables are collected, the fund balance will be zero.

Major Grant Special Revenue Fund - The negative fund balance for this fund relates to unavailable revenues for receivable from other governmental agencies that are outside of the availability period. Once the receivables are collected, the fund balance will be zero.

Article 3 Special Revenue Fund – Management expects to eliminate deficit fund balance with future revenues.

Street Light District Special Revenue Fund - Revenues in this fund are limited by Proposition 218, and have exceeded expenditures for multiple years past. The City plans to take amendments to Proposition 218 to vote to remove the revenue limitations; however this is unlikely to occur until the economy improves.

FEMA Special Revenue Fund - The negative fund balance for this fund relates to unavailable revenues for receivable from other governmental agencies that are outside of the availability period. Once the receivables are collected, the fund balance will be zero.

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2014 were as follows:

		Special Revenue Funds				Capital Projects Fund	
	General	Measure I	Fire Department	Grants	Major Grants	General Capital Financing	Other Governmental Funds
Nonspendable:							
Inventory and prepaid items	$ 12,056	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable	138,491	-	-	-	-	-	-
Advance to Successor Agency	1,240,000	-	-	-	-	-	-
Restricted:							
Public safety	-	-	6,818,664	-	-	-	3,949,223
Highways and street projects	-	7,294,980	-	-	-	-	7,881,866
Parks and recreation	-	-	-	-	-	-	143,398
Low and moderate income housing	-	-	-	-	-	-	648,107
Other purposes	-	-	-	-	-	-	387,199
Assigned:							
Public safety:							
Vehicle replacement	275,000	-	-	-	-	-	-
Equipment replacement	200,000	-	-	-	-	-	-
Public safety enhancement	200,000	-	-	-	-	-	-
Other purposes:							
Compensated absences	536,732	-	-	-	-	-	-
Capital projects	80,620	-	-	-	-	5,066,185	-
Technical enhancements	300,000	-	-	-	-	-	-
Service enhancements	1,987,559	-	-	-	-	-	-
City Hall	200,000	-	-	-	-	-	-
Fire Facilities	1,300,000	-	-	-	-	1,750,000	-
Public improvements	-	-	-	-	-	2,288,000	-
Unassigned	2,008,776	-	-	(133,550)	(5,714,600)	-	(1,453,602)
	$ 8,479,234	$ 7,294,980	$ 6,818,664	$ (133,550)	$ (5,714,600)	$ 9,104,185	$ 11,556,191

See independent auditors' report.

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, 2014, was as follows:

Advances From	Advances To		Amount
General Fund	Successor Agency		$ 1,240,000
General Capital Financing Capital Projects Fund	Successor Agency		480,000
		Subtotal	1,720,000
Housing Authority Special Revenue Fund	Successor Agency		380,000
		Total	$ 2,100,000

The advances from the General Fund and General Capital Financing 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 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. The accumulated interest on the remaining amount of advances will be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund.

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. Advance repayments shall not be prior to the 2014-2015 fiscal year, 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).

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year	Due in More Than One Year
Bonds Payable:						
2004A Tax Allocation Bonds	$ 15,145,000	$ -	$ (305,000)	$ 14,840,000	$ 315,000	$ 14,525,000
2004B Tax Allocation Refunding Bonds	2,495,000	-	(155,000)	2,340,000	165,000	2,175,000
2007 Tax Allocation Bonds	39,250,000	-	(805,000)	38,445,000	840,000	37,605,000
Total	$ 56,890,000	$ -	$ (1,265,000)	$ 55,625,000	$ 1,320,000	$ 54,305,000

2004A Tax Allocation Bonds:

In June 2004, the City of Highland Redevelopment Agency issued $17,525,000 Tax Allocation Bonds Series 2004A. Proceeds from the bonds were used to finance costs of the Redevelopment Project Area. As of June 30, 2014 unspent bond proceeds specifically set aside for these capital asset/infrastructure projects that remains unspent is $7,387,616.

The bonds consist of $4,425,000 of serial bonds and $13,100,000 of term bonds. The serial bonds accrue interest at rates between 2.00% and 4.65% and the principal amounts mature between December 1, 2005 and December 1, 2018 in amounts ranging from $280,000 to $380,000. Term bonds of $6,280,000 accrue interest at 5.00% and mature on December 1, 2028. Term bonds of $6,820,000 accrue interest at 5.00% and mature on December 1, 2034.

The bonds maturing on or before December 1, 2015 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 2028 and 2034 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.

Per the terms of the bond indenture, a reserve of $1,348,000 is required to be maintained. At June 30, 2014, the reserve was fully funded and the outstanding balance of the bonds was $14,840,000.

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

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.

Per the terms of the bond indenture, a reserve of $294,000 is required to be maintained. At June 30, 2014, the reserve was fully funded and the outstanding balance of the bonds was $2,340,000.

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, 2014 unspent bond proceeds specifically set aside for these capital asset/infrastructure projects that remains unspent is $17,069,849.

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.

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

2007 Tax Allocation Bonds (Continued):

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 $3,338,000 is required to be maintained. At June 30, 2014, the reserve was fully funded, and the outstanding balance of the bonds was $38,445,000.

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
2015	$ 1,320,000	$ 2,625,610	$ 3,945,610
2016	1,375,000	2,568,611	3,943,611
2017	1,435,000	2,507,667	3,942,667
2018	1,495,000	2,438,140	3,933,140
2019	1,575,000	2,365,301	3,940,301
2020 - 2024	9,035,000	10,622,499	19,657,499
2025 - 2029	11,465,000	8,160,031	19,625,031
2030 - 2034	14,540,000	5,022,575	19,562,575
2035 - 2039	13,385,000	1,288,256	14,673,256
Totals	$ 55,625,000	$ 37,598,690	$ 93,223,690

See independent auditors' report.

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.

Under the Dissolution Act, each California redevelopment agency (each a "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.

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.

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

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 for each six-month period 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 for the upcoming six-month period.

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 six month period. 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 six months.

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.

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

The DOF issued a Finding of Completion on May 24, 3013 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 was 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, 2014, the long-term advances to the Successor Agency totaled $2,100,000. 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 not completed its review of transfers of assets between the former RDA, the City and or other public agencies.

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.

16. RESTATEMENT OF NET POSITION

The City recorded a restatement in net position to adjust the balance of land. As of July 1, 2013, the City recorded a reduction in net position of $1,998,141 on the government-wide statements to reduce the opening balance of land.

See independent auditors' report.

17. SUBSEQUENT EVENTS:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 17, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

General Fund - This 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 be expended for a particular purpose. The following funds have been classified as major funds. The budget -actual comparisons for these funds have been presented in the accompanying financial statements as *required supplementary information:*

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. 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 - 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 - This fund is used to account for any 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. Examples include; HBRR, CMAQ, RES, Safe Route to Schools and miscellaneous grants.

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

CITY OF HIGHLAND

SCHEDULE OF FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2014

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%

See independent auditors' report.

CITY OF HIGHLAND

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	$ 3,360,000	$ 3,360,000	$ 3,014,804	$ (345,196)
Unsecured property taxes	-	-	128,090	128,090
In-lieu sales tax	525,000	525,000	533,411	8,411
Other property taxes	-	-	158,340	158,340
Sales and use tax	1,633,045	1,633,045	1,639,446	6,401
Extraction tax	165,000	165,000	371,475	206,475
In-lieu motor vehicle license fees	3,755,000	3,755,000	3,853,862	98,862
Transient occupancy tax	205,000	205,000	249,722	44,722
Franchise fees	1,481,000	1,481,000	1,500,203	19,203
Property transfer tax	90,000	90,000	105,414	15,414
Total taxes	11,214,045	11,214,045	11,554,767	340,722
Licenses and permits:				
Building permits	500,000	500,000	461,876	(38,124)
Miscellaneous permits	61,250	61,250	72,968	11,718
Total licenses and permits	561,250	561,250	534,844	(26,406)
Intergovernmental:				
Motor vehicle license fees	-	-	22,878	22,878
Grants	158,560	158,560	62,544	(96,016)
Total intergovernmental	158,560	158,560	85,422	(73,138)
Charges for services:				
Business license fees	150,000	150,000	179,477	29,477
Planning fees	430,000	430,000	270,526	(159,474)
Engineering fees	210,000	210,000	148,157	(61,843)
Other charges	324,000	324,000	318,774	(5,226)
Total charges for services	1,114,000	1,114,000	916,934	(197,066)
Fines and forfeitures	82,000	82,000	100,419	18,419
Investment income	14,000	14,000	10,160	(3,840)
Miscellaneous	95,500	95,500	826,724	731,224
TOTAL REVENUES	13,239,355	13,239,355	14,029,270	789,915

See independent auditors' report and note to required supplementary information.

(Continued)

CITY OF HIGHLAND

Budgetary Comparison Schedule (Continued)
General Fund

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
General government:				
City Council	$ 160,775	$ 170,775	$ 159,059	$ 11,716
City Clerk	259,790	259,790	246,678	13,112
General government	700,620	700,620	676,436	24,184
Personnel	70,975	70,975	52,613	18,362
Finance	497,425	497,425	451,584	45,841
Engineering	449,325	462,325	462,230	95
Planning	1,004,730	1,033,370	960,953	72,417
Community mandates	495,395	495,395	394,792	100,603
Building and safety	416,910	416,910	341,084	75,826
Code enforcement	383,780	406,780	406,222	558
Parks	1,124,730	1,084,920	963,892	121,028
Graffiti	106,925	106,925	97,051	9,874
Community volunteer services	91,380	91,380	68,847	22,533
Trails	8,850	8,850	567	8,283
Total general government	5,771,610	5,806,440	5,282,008	524,432
Highways and streets:				
Public works	-	-	-	-
Public safety:				
Police department	7,492,695	7,492,695	7,436,654	56,041
Animal control	408,050	424,250	424,247	3
Total public safety	7,900,745	7,916,945	7,860,901	56,044
Capital outlay	-	22,915	22,968	(53)
TOTAL EXPENDITURES	13,672,355	13,746,300	13,165,877	580,423
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(433,000)	(506,945)	863,393	1,370,338
OTHER FINANCING SOURCES (USES):				
Transfers in	270,000	270,000	20,000	(250,000)
Transfers out	(39,810)	(39,810)	(33,428)	6,382
TOTAL OTHER FINANCING SOURCES (USES)	230,190	230,190	(13,428)	(243,618)
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(202,810)	(276,755)	849,965	1,126,720
EXTRAORDINARY ITEM:				
Successor Agency reimbursement	-	-	(946,087)	(946,087)
NET CHANGE IN FUND BALANCES	(202,810)	(276,755)	(96,122)	180,633
FUND BALANCE - BEGINNING OF YEAR	8,575,357	8,575,357	8,575,357	-
FUND BALANCE - END OF YEAR	$ 8,372,547	$ 8,298,602	$ 8,479,235	$ 180,633

See independent auditors' report and note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Measure I Special Revenue Fund

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 675,000	$ 675,000	$ 803,415	$ 128,415
Investment income	15,000	15,000	16,707	1,707
TOTAL REVENUES	690,000	690,000	820,122	130,122
EXPENDITURES:				
Current:				
Highways and streets	120,000	120,000	257,993	(137,993)
Capital outlay	1,074,000	1,074,000	576,164	497,836
TOTAL EXPENDITURES	1,194,000	1,194,000	834,157	359,843
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(504,000)	(504,000)	(14,035)	489,965
FUND BALANCE - BEGINNING OF YEAR	7,309,015	7,309,015	7,309,015	-
FUND BALANCE - END OF YEAR	$ 6,805,015	$ 6,805,015	$ 7,294,980	$ 489,965

See independent auditors' report and note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Fire Department Special Revenue Fund

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 2,400,000	$ 2,400,000	$ 2,265,592	$ (134,408)
Licenses and permits	50,000	50,000	47,662	(2,338)
Intergovernmental	90,000	90,000	328,047	238,047
Charges for services	434,700	434,700	550,912	116,212
Investment income	14,000	14,000	13,444	(556)
TOTAL REVENUES	2,988,700	2,988,700	3,205,657	216,957
EXPENDITURES:				
Current:				
General government	130,750	130,750	144,327	(13,577)
Public safety	2,269,065	2,269,065	2,222,858	46,207
Capital outlay	-	130,400	48,926	81,474
TOTAL EXPENDITURES	2,399,815	2,530,215	2,416,111	114,104
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	588,885	458,485	789,546	331,061
OTHER FINANCING USES:				
Transfers out	(1,087,230)	(1,087,230)	(665,139)	422,091
TOTAL OTHER FINANCING USES	(1,087,230)	(1,087,230)	(665,139)	422,091
NET CHANGE IN FUND BALANCE	(498,345)	(628,745)	124,407	753,152
FUND BALANCE - BEGINNING OF YEAR	6,694,257	6,694,257	6,694,257	-
FUND BALANCE - END OF YEAR	$ 6,195,912	$ 6,065,512	$ 6,818,664	$ 753,152

See independent auditors' report and note to required supplementary information.

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Intergovernmental	$ 5,666,000	$ 5,666,000	$ 3,940,155	$ (1,725,845)
Investment income	-	-	691	691
TOTAL REVENUES	5,666,000	5,666,000	3,940,846	(1,725,154)
EXPENDITURES:				
Current:				
Highways and streets	1,598,000	1,598,000	632,841	965,159
Capital outlay	5,238,000	5,238,000	3,648,801	1,589,199
TOTAL EXPENDITURES	6,836,000	6,836,000	4,281,642	2,554,358
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,170,000)	(1,170,000)	(340,796)	829,204
NET CHANGE IN FUND BALANCE	(1,170,000)	(1,170,000)	(340,796)	829,204
FUND BALANCE - BEGINNING OF YEAR	206,966	206,966	206,966	-
FUND BALANCE - END OF YEAR	$ (963,034)	$ (963,034)	$ (133,830)	$ 829,204

See independent auditors' report and note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Major Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 12,835,000	$ 12,835,000	$ 1,998,773	$ (10,836,227)
TOTAL REVENUES	12,835,000	12,835,000	1,998,773	(10,836,227)
EXPENDITURES:				
Current:				
Highways and streets	2,677,000	2,677,000	174,414	2,502,586
Capital outlay	10,158,000	10,158,000	6,516,022	3,641,978
TOTAL EXPENDITURES	12,835,000	12,835,000	6,690,436	6,144,564
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(4,691,663)	(4,691,663)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,868	1,868
NET CHANGE IN FUND BALANCE	-	-	(4,689,795)	(4,689,795)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(1,024,805)	(1,024,805)	(1,024,805)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (1,024,805)	$ (1,024,805)	$ (5,714,600)	$ (4,689,795)

See independent auditors' report and note to required supplementary information.

CITY OF HIGHLAND

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

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 11, 2013 for fiscal years 2013-14 and 2014-15. 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 $2,843,818 for supplemental appropriations during the year ended June 30, 2014.

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.

See independent auditors' report.

NOVEMBER 24, 1987
CITY OF HIGHLAND

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 red light cameras.

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 and Prop 42 funds.

Article 3 - These are State funds provided through SANBAG as grants, and are to be used for bikeways and 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, fire, general facilities, parks and 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 u-ails for usage by bicycles, horses, and citizens.

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.

OTHER GOVERNMENTAL FUNDS (CONTINUED

Special Revenue Funds (Continued)

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 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.

Paramedic Department - This fund accounts for the monies received through the medic tax. The medic tax partially funds the paramedics that 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 Fund

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

Community Facilities Districts - The Greenspot Corridor (CPD 90-1) in the east end of the City has been placed into a CFD (Mello-Roos) District to provide needed infrastructure, housing, and commercial retail growth to that area along with a school. 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, 2014

	Special Revenue Funds	Community Facilities Districts Capital Projects Fund	Total Other Governmental Funds
ASSETS			
Cash and investments	$ 12,748,767	$ 25,049	$ 12,773,816
Restricted cash and investments:			
Cash and investments with fiscal agent	-	23,432	23,432
Receivables:			
Accounts	61,317	10,290	71,607
Interest	3,660	-	3,660
Property taxes	18,683	14,209	32,892
Due from other governments	954,260	-	954,260
Advance to Successor Agency	380,000		380,000
TOTAL ASSETS	$ 14,862,415	$ 72,980	$ 14,935,395
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 555,711	$ 14,209	$ 569,920
Accrued liabilities	15,707	-	15,707
Retention payable	-	-	-
Due to other funds	1,482,032	-	1,482,032
TOTAL LIABILITIES	2,053,450	14,209	2,067,659
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	1,311,545	-	1,311,545
TOTAL DEFERRED INFLOWS OF RESOURCES	1,311,545	-	1,311,545
FUND BALANCES:			
Restricted	12,951,022	58,771	13,009,793
Unassigned	(1,453,602)	-	(1,453,602)
TOTAL FUND BALANCES	11,497,420	58,771	11,556,191
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 14,862,415	$ 72,980	$ 14,935,395

See independent auditors' report.

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds	Community Facilities Districts Capital Projects Fund	Total Other Governmental Funds
REVENUES:			
Taxes	$ 1,048,641	$ -	$ 1,048,641
Intergovernmental	2,518,632	-	2,518,632
Charges for services	495,682	-	495,682
Fines and forfeitures	356,881	-	356,881
Investment income	28,827	-	28,827
Rental income	122,441	-	122,441
Miscellaneous	30,103	10,290	40,393
TOTAL REVENUES	4,601,207	10,290	4,611,497
EXPENDITURES:			
Current:			
General government	173,521	10,290	183,811
Highways and streets	2,662,088	-	2,662,088
Public safety	1,229,889	-	1,229,889
Capital outlay	3,030,491	-	3,030,491
TOTAL EXPENDITURES	7,095,989	10,290	7,106,279
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,494,782)	-	(2,494,782)
OTHER FINANCING SOURCES (USES):			
Transfers in	686,699	-	686,699
Transfers out	(10,000)	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	676,699	-	676,699
NET CHANGE IN FUND BALANCES	(1,818,083)	-	(1,818,083)
FUND BALANCES - BEGINNING OF YEAR	13,315,503	58,771	13,374,274
FUND BALANCES - END OF YEAR	$ 11,497,420	$ 58,771	$ 11,556,191

See independent auditors' report.

NOVEMBER 24, 1987
CITY OF HIGHLAND

CITY OF HIGHLAND

COMBINING BALANCE SHEET
Other Governmental Special Revenue Funds

June 30, 2014

	Traffic Safety	Gas Tax	Article 3
ASSETS			
Cash and investments	$ 657,801	$ 2,615,894	$ -
Receivables:			
Accounts	-	-	-
Interest	178	571	-
Property taxes	-	-	-
Loans	-	-	-
Due from other governments	26,365	215,221	-
Advance to Successor Agency	-	-	-
TOTAL ASSETS	$ 684,344	$ 2,831,686	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 18,269	$ 107,753	$ 12,169
Accrued liabilities	-	12,336	-
Retention payable	-	-	-
Due to other funds	-	-	81,023
TOTAL LIABILITIES	18,269	120,089	93,192
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES (DEFICITS):			
Restricted for:			
Public safety	666,075	-	-
Highways and streets	-	2,711,597	-
Parks and recreation	-	-	-
Low and moderate income housing	-	-	-
Other purposes	-	-	-
Unassigned	-	-	(93,192)
TOTAL FUND BALANCES (DEFICITS)	666,075	2,711,597	(93,192)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 684,344	$ 2,831,686	$ -

See independent auditors' report.

CDBG	Development Impact Fees	Developer Fees	Landscape Maintenance District	Street Light District	Community Trails District
$ -	$ 4,651,653	$ 3,245,672	$ 411,756	$ -	$ 11,555
-	-	-	-	-	-
-	827	1,622	204	-	2
-	-	-	3,995	7,105	162
-	-	-	-	-	-
79,471	13	-	-	-	-
-	-	-	-	-	-
$ 79,471	$ 4,652,493	$ 3,247,294	$ 415,955	$ 7,105	$ 11,719
$ 1,916	$ 252,155	$ 2	$ 28,756	$ 44,642	$ -
2,818	-	246	-	-	-
-	-	-	-	-	-
74,737	-	-	-	707,056	3,399
79,471	252,155	248	28,756	751,698	3,399
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,247,046	-	-	-
-	4,400,338	-	-	-	-
-	-	-	-	-	8,320
-	-	-	-	-	-
-	-	-	387,199	-	-
-	-	-	-	(744,593)	-
-	4,400,338	3,247,046	387,199	(744,593)	8,320
$ 79,471	$ 4,652,493	$ 3,247,294	$ 415,955	$ 7,105	$ 11,719

(Continued)

CITY OF HIGHLAND

COMBINING BALANCE SHEET (CONTINUED)
Other Governmental Special Revenue Funds

June 30, 2014

	Parks Maintenance District	FEMA	AQMD
ASSETS			
Cash and investments	$ 79,620	$ -	$ 468,394
Receivables:			
Accounts	-	-	-
Interest	-	-	187
Property taxes	1,275	-	-
Loans	-	-	-
Due from other governments	-	615,817	17,373
Advance to Successor Agency	-	-	-
TOTAL ASSETS	$ 80,895	$ 615,817	$ 485,954
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 4,588	$ -	$ 10,656
Accrued liabilities	-	-	-
Retention payable	-	-	-
Due to other funds	-	615,817	-
TOTAL LIABILITIES	4,588	615,817	10,656
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	615,817	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	615,817	-
FUND BALANCES (DEFICITS):			
Restricted for:			
Public safety	-	-	-
Highways and streets	-	-	475,298
Parks and recreation	76,307	-	-
Low and moderate income housing	-	-	-
Other purposes	-	-	-
Unassigned	-	(615,817)	-
TOTAL FUND BALANCES (DEFICITS)	76,307	(615,817)	475,298
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 80,895	$ 615,817	$ 485,954

See independent auditors' report.

COPS	Street and Strom Drain Maintenance District	Justice Assistance Grant	Paramedic Department	Housing Authority	Total Other Governmental Special Revenue Funds
$ -	$ 292,814	$ 36,102	$ 69,989	$ 207,517	$ 12,748,767
-	-	-	-	61,317	61,317
-	69	-	-	-	3,660
-	1,750	-	4,396	-	18,683
-	-	-	-	695,728	695,728
-	-	-	-	-	954,260
-	-	-	-	380,000	380,000
$ -	$ 294,633	$ 36,102	$ 74,385	$ 1,344,562	$ 14,862,415
$ -	$ -	$ -	$ 74,385	$ 420	$ 555,711
-	-	-	-	307	15,707
-	-	-	-	-	-
-	-	-	-	-	1,482,032
-	-	-	74,385	727	2,053,450
-	-	-	-	695,728	1,311,545
-	-	-	-	695,728	1,311,545
-	-	36,102	-	-	3,949,223
-	294,633	-	-	-	7,881,866
-	-	-	-	-	84,627
-	-	-	-	648,107	648,107
-	-	-	-	-	387,199
-	-	-	-	-	(1,453,602)
-	294,633	36,102	-	648,107	11,497,420
$ -	$ 294,633	$ 36,102	$ 74,385	$ 1,344,562	$ 14,862,415

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, 2014

	Traffic Safety	Gas Tax	Article 3
REVENUES:			
Taxes	$ -	$ -	$ -
Intergovernmental	-	1,735,106	-
Charges for services	-	-	-
Fines and forfeitures	356,881	-	-
Investment income	973	3,601	-
Rental income	-	-	-
Miscellaneous	-	12,132	-
TOTAL REVENUES	357,854	1,750,839	-
EXPENDITURES:			
Current:			
General government	-	-	-
Highways and streets	-	1,426,763	93,192
Public safety	253,744	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	253,744	1,426,763	93,192
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	104,110	324,076	(93,192)
OTHER FINANING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	104,110	324,076	(93,192)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	561,965	2,387,521	-
FUND BALANCES (DEFICITS) - END OF YEAR	$ 666,075	$ 2,711,597	$ (93,192)

See independent auditors' report.

CDBG	Development Impact Fees	Developer Fees	Landscape Maintenance District	Street Light District	Community Trails District
$ -	$ -	$ -	$ 208,790	$ 371,606	$ 8,454
530,081	33,159	-	-	-	-
-	403,550	92,132	-	-	-
-	-	-	-	-	-
-	6,986	7,631	1,039	-	23
-	-	-	-	-	-
-	-	-	6,420	-	-
530,081	443,695	99,763	216,249	371,606	8,477
-	-	-	-	-	-
172,281	18,902	14,186	276,417	524,408	19,875
-	-	-	-	-	-
357,800	2,648,370	-	-	-	-
530,081	2,667,272	14,186	276,417	524,408	19,875
-	(2,223,577)	85,577	(60,168)	(152,802)	(11,398)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(2,223,577)	85,577	(60,168)	(152,802)	(11,398)
-	6,623,915	3,161,469	447,367	(591,791)	19,718
$ -	$ 4,400,338	$ 3,247,046	$ 387,199	$ (744,593)	$ 8,320

(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, 2014

	Parks Maintenance District	FEMA	AQMD
REVENUES:			
Taxes	$ 66,648	$ -	$ -
Intergovernmental	-	35,611	66,858
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	-	-	928
Rental income	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	66,648	35,611	67,786
EXPENDITURES:			
Current:			
General government	-	-	-
Highways and streets	80,892	-	35,172
Public safety	-	-	-
Capital outlay	-	-	24,321
TOTAL EXPENDITURES	80,892	-	59,493
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,244)	35,611	8,293
OTHER FINANING SOURCES (USES):			
Transfers in	31,560	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	31,560	-	-
NET CHANGE IN FUND BALANCES	17,316	35,611	8,293
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	58,991	(651,428)	467,005
FUND BALANCES (DEFICITS) - END OF YEAR	$ 76,307	$ (615,817)	$ 475,298

See independent auditors' report.

COPS	Street and Strom Drain Maintenance District	Justice Assistance Grant	Paramedic Department	Housing Authority	Total Other Governmental Special Revenue Funds
$ -	$ 38,190	$ -	$ 354,953	$ -	$ 1,048,641
100,026	-	17,791	-	-	2,518,632
-	-	-	-	-	495,682
-	-	-	-	-	356,881
-	343	-	-	7,303	28,827
-	-	-	-	122,441	122,441
-	-	-	2,553	8,998	30,103
100,026	38,533	17,791	357,506	138,742	4,601,207
-	-	-	133,280	40,241	173,521
-	-	-	-	-	2,662,088
100,026	-	6,754	869,365	-	1,229,889
-	-	-	-	-	3,030,491
100,026	-	6,754	1,002,645	40,241	7,095,989
-	38,533	11,037	(645,139)	98,501	(2,494,782)
-	-	-	655,139	-	686,699
-	-	-	(10,000)	-	(10,000)
-	-	-	645,139	-	676,699
-	38,533	11,037	-	98,501	(1,818,083)
-	256,100	25,065	-	549,606	13,315,503
$ -	$ 294,633	$ 36,102	$ -	$ 648,107	$ 11,497,420

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Fines and forfeitures	$ 200,000	$ 356,881	$ 156,881
Investment income	1,500	973	(527)
TOTAL REVENUES	201,500	357,854	156,354
EXPENDITURES:			
Current:			
Public safety	264,500	253,744	10,756
TOTAL EXPENDITURES	264,500	253,744	10,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(63,000)	104,110	167,110
FUND BALANCE - BEGINNING OF YEAR	561,965	561,965	-
FUND BALANCE - END OF YEAR	$ 498,965	$ 666,075	$ 167,110

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	$ 1,552,500	$ 1,735,106	$ 182,606
Investment income	5,000	3,601	(1,399)
Miscellaneous	-	12,132	12,132
TOTAL REVENUES	1,557,500	1,750,839	193,339
EXPENDITURES:			
Current:			
Highways and streets	1,665,202	1,426,763	238,439
TOTAL EXPENDITURES	1,665,202	1,426,763	238,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(107,702)	324,076	431,778
FUND BALANCE - BEGINNING OF YEAR	2,387,521	2,387,521	-
FUND BALANCE - END OF YEAR	$ 2,279,819	$ 2,711,597	$ 431,778

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 411,000	$ -	$ (411,000)
TOTAL REVENUES	411,000	-	(411,000)
EXPENDITURES:			
Current:			
Highways and streets	411,000	93,192	317,808
TOTAL EXPENDITURES	411,000	93,192	317,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(93,192)	(93,192)
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ (93,192)	$ (93,192)

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	$ 530,095	$ 530,081	$ (14)
TOTAL REVENUES	530,095	530,081	(14)
EXPENDITURES:			
Current:			
Highways and streets	172,095	172,281	(186)
Capital outlay	358,000	357,800	200
TOTAL EXPENDITURES	530,095	530,081	14
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -

See independent auditors' report.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Development Impact Fees Special Revenue Fund

For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	$ -	$ 33,159	$ 33,159
Charges for services	100,000	403,550	303,550
Investment income	20,000	6,986	(13,014)
TOTAL REVENUES	120,000	443,695	323,695
EXPENDITURES:			
Current:			
Highways and streets	102,000	18,902	83,098
Capital outlay	3,542,000	2,648,370	893,630
TOTAL EXPENDITURES	3,644,000	2,667,272	976,728
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,524,000)	(2,223,577)	1,300,423
FUND BALANCE - BEGINNING OF YEAR	6,623,915	6,623,915	-
FUND BALANCE - END OF YEAR	$ 3,099,915	$ 4,400,338	$ 1,300,423

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	$ 10,000	$ 92,132	$ 82,132
Investment income	9,000	7,631	(1,369)
TOTAL REVENUES	19,000	99,763	80,763
EXPENDITURES:			
Current:			
Highways and streets	25,625	14,186	11,439
TOTAL EXPENDITURES	25,625	14,186	11,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,625)	85,577	92,202
FUND BALANCE - BEGINNING OF YEAR	3,161,469	3,161,469	-
FUND BALANCE - END OF YEAR	$ 3,154,844	$ 3,247,046	$ 92,202

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 180,000	$ 208,790	$ 28,790
Investment income	1,000	1,039	39
Miscellaneous	-	6,420	6,420
TOTAL REVENUES	181,000	216,249	35,249
EXPENDITURES:			
Current:			
Highways and streets	283,580	276,417	7,163
TOTAL EXPENDITURES	283,580	276,417	7,163
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(102,580)	(60,168)	42,412
OTHER FINANCING SOURCES:			
Transfers in	20,000	-	(20,000)
TOTAL OTHER FINANCING SOURCES	20,000	-	(20,000)
NET CHANGE IN FUND BALANCE	(82,580)	(60,168)	22,412
FUND BALANCE - BEGINNING OF YEAR	447,367	447,367	-
FUND BALANCE - END OF YEAR	$ 364,787	$ 387,199	$ 22,412

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 332,250	$ 371,606	$ 39,356
TOTAL REVENUES	332,250	371,606	39,356
EXPENDITURES:			
Current:			
Highways and streets	602,000	524,408	77,592
TOTAL EXPENDITURES	602,000	524,408	77,592
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(269,750)	(152,802)	116,948
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(591,791)	(591,791)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (861,541)	$ (744,593)	$ 116,948

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 7,500	$ 8,454	$ 954
Investment income	-	23	23
TOTAL REVENUES	7,500	8,477	977
EXPENDITURES:			
Current:			
Highways and streets	19,880	19,875	5
TOTAL EXPENDITURES	19,880	19,875	5
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,380)	(11,398)	982
FUND BALANCE - BEGINNING OF YEAR	19,718	19,718	-
FUND BALANCE - END OF YEAR	$ 7,338	$ 8,320	$ 982

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 60,500	$ 66,648	$ 6,148
TOTAL REVENUES	60,500	66,648	6,148
EXPENDITURES:			
Current:			
Highways and streets	99,520	80,892	18,628
TOTAL EXPENDITURES	99,520	80,892	18,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,020)	(14,244)	24,776
OTHER FINANCING SOURCES:			
Transfers in	39,810	31,560	(8,250)
TOTAL OTHER FINANCING SOURCES	39,810	31,560	(8,250)
NET CHANGE IN FUND BALANCE	790	17,316	16,526
FUND BALANCE - BEGINNING OF YEAR	58,991	58,991	-
FUND BALANCE - END OF YEAR	$ 59,781	$ 76,307	$ 16,526

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	$ 58,000	$ 66,858	$ 8,858
Investment income	1,000	928	(72)
TOTAL REVENUES	59,000	67,786	8,786
EXPENDITURES:			
Current:			
Highways and streets	45,000	35,172	9,828
Capital outlay	24,321	24,321	-
TOTAL EXPENDITURES	69,321	59,493	9,828
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,321)	8,293	18,614
FUND BALANCE - BEGINNING OF YEAR	467,005	467,005	-
FUND BALANCE - END OF YEAR	$ 456,684	$ 475,298	$ 18,614

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	$ 100,500	$ 100,026	$ (474)
TOTAL REVENUES	100,500	100,026	(474)
EXPENDITURES:			
Current:			
Public safety	100,500	100,026	474
TOTAL EXPENDITURES	100,500	100,026	474
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 27,000	$ 38,190	$ 11,190
Investment income	500	343	(157)
TOTAL REVENUES	27,500	38,533	11,033
EXPENDITURES:			
Current:			
Highways and streets	19,200	-	19,200
TOTAL EXPENDITURES	19,200	-	19,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,300	38,533	30,233
FUND BALANCE - BEGINNING OF YEAR	256,100	256,100	-
FUND BALANCE - END OF YEAR	$ 264,400	$ 294,633	$ 30,233

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	$ 18,000	$ 17,791	$ (209)
TOTAL REVENUES	18,000	17,791	(209)
EXPENDITURES:			
Current:			
Public safety	18,000	6,754	11,246
TOTAL EXPENDITURES	18,000	6,754	11,246
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	11,037	11,037
FUND BALANCE - BEGINNING OF YEAR	25,065	25,065	-
FUND BALANCE - END OF YEAR	$ 25,065	$ 36,102	$ 11,037

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	$ 351,000	$ 354,953	$ 3,953
Miscellaneous	-	2,553	2,553
TOTAL REVENUES	351,000	357,506	6,506
EXPENDITURES:			
Current:			
General government	106,175	133,280	(27,105)
Public safety	1,312,055	869,365	442,690
TOTAL EXPENDITURES	1,418,230	1,002,645	415,585
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,067,230)	(645,139)	422,091
OTHER FINANCING SOURCES (USES):			
Transfers in	1,077,230	655,139	(422,091)
Transfers out	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,067,230	645,139	(422,091)
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment income	$ 7,500	$ 7,303	$ (197)
Rental income	55,000	122,441	67,441
Miscellaneous	8,280	8,998	718
TOTAL REVENUES	70,780	138,742	67,962
EXPENDITURES:			
Current:			
General government	40,530	40,241	289
TOTAL EXPENDITURES	40,530	40,241	289
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,250	98,501	68,251
FUND BALANCE - BEGINNING OF YEAR	549,606	549,606	-
FUND BALANCE - END OF YEAR	$ 579,856	$ 648,107	$ 68,251

See independent auditors' report.

NOVEMBER 24, 1987

CITY OF HIGHLAND

MAJOR AND OTHER GOVERNMENTAL FUNDS

Capital Projects Funds

The following Capital Projects Fund has been classified as a major fund 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.

The following Capital Projects Fund has been classified as an 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) District to provide needed infrastructure, housing, and commercial retail growth to that area along with a school 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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment income	$ 20,000	$ 19,703	$ (297)
Miscellaneous	-	3,237	3,237
TOTAL REVENUES	20,000	22,940	2,940
EXPENDITURES:			
Current:			
General government	766,000	536,863	229,137
Capital outlay	458,650	224,915	233,735
TOTAL EXPENDITURES	1,224,650	761,778	462,872
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,204,650)	(738,838)	465,812
FUND BALANCE - BEGINNING OF YEAR	9,843,023	9,843,023	-
FUND BALANCE - END OF YEAR	$ 8,638,373	$ 9,104,185	$ 465,812

See independent auditors' report.

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Miscellaneous	$ 10,600	$ 10,290	$ (310)
TOTAL REVENUES	10,600	10,290	(310)
EXPENDITURES:			
Current:			
General government	10,600	10,290	310
TOTAL EXPENDITURES	10,600	10,290	310
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING OF YEAR	58,771	58,771	-
FUND BALANCE - END OF YEAR	$ 58,771	$ 58,771	$ -

See independent auditors' report.

NOVEMBER 24, 1987

CITY OF HIGHLAND

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 and the General Services Fund.

Insurance - This fund accounts for all expenditures relating to insurance premiums, 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 and repairs.

CITY OF HIGHLAND

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2014

	Insurance	General Services	Totals
ASSETS:			
CURRENT ASSETS:			
Cash and investments	$ 3,713,713	$ 1,507,135	$ 5,220,848
Receivable:			
Accounts	79,964	-	79,964
Interest	1,918	777	2,695
TOTAL ASSETS	3,795,595	1,507,912	5,303,507
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	9,711	6,599	16,310
Accrued liabilities	2,710	1,341	4,051
Retentions payable	-	-	-
Claims payable	63,927	-	63,927
TOTAL CURRENT LIABILITIES	76,348	7,940	84,288
LONG-TERM LIABILITIES:			
Claims payable	84,693	-	84,693
TOTAL LONG-TERM LIABILITIES	84,693	-	84,693
TOTAL LIABILITIES	161,041	7,940	168,981
NET POSITION:			
Unrestricted	3,634,554	1,499,972	5,134,526
TOTAL NET POSITION	$ 3,634,554	$ 1,499,972	$ 5,134,526

See independent auditors' report.

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2014

	Insurance	General Services	Totals
OPERATING REVENUES:			
Charges for services	$ 368,351	$ 398	$ 368,749
Miscellaneous	24,088	-	24,088
TOTAL OPERATING REVENUES	392,439	398	392,837
OPERATING EXPENSES:			
Salaries and benefits	78,018	-	78,018
Insurance premiums	108,783	-	108,783
Claims and judgements	61,121	-	61,121
Legal fees	122,991	-	122,991
Administrative expenses	285,554	214,978	500,532
Insurance adjusting fees	10,427	-	10,427
TOTAL OPERATING EXPENSES	666,894	214,978	881,872
OPERATING LOSS	(274,455)	(214,580)	(489,035)
NONOPERATING REVENUES:			
Investment income	9,010	3,844	12,854
TOTAL NONOPERATING REVENUES	9,010	3,844	12,854
CHANGES IN NET POSITION	(265,445)	(210,736)	(476,181)
TOTAL NET POSITION - BEGINNING OF YEAR	3,899,999	1,710,708	5,610,707
TOTAL NET POSITION - END OF YEAR	$ 3,634,554	$ 1,499,972	$ 5,134,526

See independent auditors' report.

CITY OF HIGHLAND

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2014

	Insurance	General Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services	$ 373,727	$ 398	$ 374,125
Cash payments to employees for services	(76,786)	(43,653)	(120,439)
Cash payments made to suppliers/vendors	(1,798,191)	(184,850)	(1,983,041)
NET CASH USED BY OPERATING ACTIVITIES	(1,501,250)	(228,105)	(1,729,355)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	9,237	4,030	13,267
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,237	4,030	13,267
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,492,013)	(224,075)	(1,716,088)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,205,726	1,731,210	6,936,936
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,713,713	$ 1,507,135	$ 5,220,848
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	$ (274,455)	$ (214,580)	$ (489,035)
Adjustments to reconcil operating loss to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	(18,713)	-	(18,713)
Increase (decrease) in accounts payable	(1,216,933)	(1,654)	(1,218,587)
Increase (decrease) in accrued liabilities	1,230	1,029	2,259
Increase (decrease) in retentions payable	-	(12,900)	(12,900)
Increase (decrease) in claims payable	7,621	-	7,621
Total Adjustments	(1,226,795)	(13,525)	(1,240,320)
NET CASH USED BY OPERATING ACTIVITIES	$ (1,501,250)	$ (228,105)	$ (1,729,355)

See independent auditors' report.

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.

CITY OF HIGHLAND

STATEMENT OF CHANGES IN FIDUCIARYASSETS AND LIABILITIES
COMMUNITIES FACILITIES DISTRICTS AGENCY FUND

June 30, 2014

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
ASSETS:				
Cash and investments with fiscal agent	$ 3,898,221	$ -	$ 113,238	$ 3,784,983
TOTAL ASSETS	$ 3,898,221	$ -	$ 113,238	$ 3,784,983
LIABILITIES:				
Held for bondholders	$ 3,898,221	$ -	$ 113,238	$ 3,784,983
TOTAL LIABILITIES	$ 3,898,221	$ -	$ 113,238	$ 3,784,983

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2014

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.

	Page Number
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	126
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	130
Debt Capacity - 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.	134
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	139
Operating Information - 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.	140

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Investment in capital assets	209,245,635	197,080,972	190,924,669	169,128,729	171,709,978	169,382,591	160,702,667	157,139,591	121,011,897	112,069,507
Restricted for:										
Public safety	11,383,704	10,442,756	10,103,434	7,344,410	7,006,934	6,469,920	5,076,025	3,739,146	2,415,673	3,630,728
Highways and streets	22,951,998	17,078,055	18,279,286	30,839,678	26,279,227	28,249,863	24,408,609	26,095,854	27,762,508	35,333,167
Affordable housing	1,343,835	1,245,335	717,363	-	-	-	-	-	-	-
Unrestricted	14,612,464	23,319,965	24,720,516	35,405,842	39,571,361	39,310,516	43,152,599	36,644,876	40,316,580	27,917,644
Total governmental activities net position	$259,537,636	$249,167,083	$244,745,268	$242,718,659	$244,567,500	$243,412,890	$233,339,900	$223,619,467	$191,506,658	$178,951,046

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
Governmental activities:										
General government	7,288,603	7,992,150	7,223,527	9,295,784	6,728,363	8,431,709	7,950,092	6,966,227	6,751,060	5,988,154
Public safety	11,800,508	10,858,918	10,427,656	9,902,952	9,526,477	9,148,103	8,853,182	8,307,371	8,825,415	6,869,219
Highways and streets	13,352,100	5,461,910	8,701,612	13,259,599	6,865,822	9,068,913	12,125,436	5,675,699	6,828,750	6,597,494
Interest and fiscal charges	-	-	1,684,540	3,149,382	3,394,624	3,069,252	3,495,578	1,553,904	1,374,956	1,732,596
Total governmental activities expenses	32,441,211	24,312,978	28,037,335	35,607,717	26,515,286	29,718,077	32,424,288	22,503,201	23,780,181	21,187,463
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,037,804	939,407	997,356	1,157,907	955,812	1,704,160	1,607,310	1,481,050	1,947,730	2,144,591
Public safety	3,785,784	3,565,197	3,596,580	670,229	611,327	650,111	628,282	592,096	849,671	548,497
Highways and streets	949,736	967,367	817,226	-	-	-	-	-	-	-
Operating grants and contributions	7,901,021	2,346,472	3,975,957	5,718,412	3,398,587	4,431,240	5,537,451	5,522,785	4,363,371	3,991,912
Capital grants and contributions	17,151,933	7,866,306	5,771,257	6,837,643	7,229,187	12,196,780	10,378,921	24,205,419	10,013,382	9,240,282
Total governmental activities program revenues	30,826,278	15,684,749	15,158,476	14,384,191	12,194,913	18,982,291	18,151,964	31,801,350	17,174,154	15,925,282
Net revenues (expenses) governmental activities	(1,614,933)	(8,628,229)	(12,878,859)	(21,223,526)	(14,320,373)	(10,735,786)	(14,272,324)	9,298,149	(6,606,027)	(5,262,181)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	4,311,534	7,528,512	8,030,404	9,435,885	7,363,024	12,416,120	14,665,806	13,308,804	10,607,821	8,790,242
Sales and use taxes	1,639,446	1,643,959	1,612,077	1,437,845	1,327,033	1,048,170	1,564,043	1,301,204	1,251,758	1,221,413
Transient occupancy tax	249,722	228,490	204,296	178,729	167,247	123,211	41,747	49,401	48,295	42,303
Franchise taxes	1,500,203	1,471,668	1,482,418	1,440,500	1,456,089	1,497,340	1,411,566	1,465,842	1,280,418	1,145,318
Business license tax	253,690	232,909	243,218	276,517	228,259	240,498	325,616	272,323	520,149	378,124
Intergovernmental	47,160	57,684	83,100	59,014	119,184	-	-	-	-	-
Investment income	48,567	58,651	117,613	155,081	219,248	734,256	1,331,150	2,302,140	856,547	412,637
State motor vehicle in lieu, unrestricted	3,876,740	3,764,950	3,750,346	3,967,325	4,551,516	4,689,433	4,602,679	4,062,670	4,501,927	2,945,063
Rental income	-	120,601	168,109	-	-	-	-	-	-	-
Land contribution from the Successor Agency	-	1,645,592	-	-	-	-	-	-	-	-
Miscellaneous	1,004,511	463,553	94,458	40,610	43,383	59,748	50,150	52,276	94,724	65,034
Total governmental activities	12,931,573	17,216,569	15,786,039	16,991,506	15,474,983	20,808,776	23,992,757	22,814,660	19,161,639	15,000,134
Changes in net position governmental activities	$11,316,640	$8,588,340	$ 2,907,180	$(4,232,020)	$ 1,154,610	$10,072,990	$ 9,720,433	$32,112,809	$12,555,612	$9,737,953
Extraordinary item: Loss on transfer	-	-	(880,571.00)							
Restatement of Land	-	(1,998,141)	-							
Extraordinary item: Repayment of Advance (note 1	(946,087)	(2,168,384)	-							
Changes in net position governmental activities	$10,370,553	$4,421,815	$ 2,026,609							

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

	Fiscal Year			
	2014	2013	2012	2011
General fund:				
Nonspendable	1,390,548	1,051,857	11,679	12,228
Spendable:				
Restricted	-	-	-	-
Assigned	5,079,911	4,623,896	5,921,333	5,952,438
Unassigned	2,008,776	2,899,604	4,067,019	4,009,852
Total general fund	$ 8,479,235	$ 8,575,357	$10,000,031	$ 9,974,518
All other governmental funds:				
Nonspendable:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	100,000
Capital projects funds	-	-	-	-
Restricted:				
Special revenue funds	27,064,666	28,827,731	28,593,540	382,837
Debt service funds	-	-	-	14,736,339
Capital projects funds	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	9,104,185	9,363,023	8,473,641	42,064,464
Unassigned:				
Special revenue funds	(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	$28,925,590	$36,402,731	$32,599,618	$ 92,167,227

The City of Highland has elected to show only the last four 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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Taxes	14,869,000	17,767,254	19,193,722	21,942,691	19,210,810	21,336,089	20,853,597	18,954,256	15,764,197	12,811,274
Licenses and permits	582,506	563,573	557,681	554,595	448,062	464,086	619,117	699,063	1,039,805	1,167,266
Intergovernmental	9,674,444	11,720,399	6,553,498	7,699,570	10,166,338	9,553,228	12,441,203	11,382,470	10,007,073	7,321,276
Charges for services	1,963,528	2,915,688	2,033,575	1,458,191	1,304,360	3,155,352	4,410,113	3,351,852	2,452,939	2,936,998
Fines and forfeitures	457,300	323,327	284,958	377,939	412,461	293,606	180,938	138,128	175,894	168,984
Investment income	89,532	114,292	205,050	4,171,178	673,370	2,227,472	4,545,003	4,402,668	2,578,243	1,679,173
Rental income	122,441	120,601	168,109	205,380	92,519	44,478	91,659	79,435	68,443	115,000
Miscellaneous	870,354	616,841	102,169	187,084	179,043	320,025	336,252	392,129	540,861	291,765
Total revenues	28,629,105	34,141,975	29,098,762	36,596,628	32,486,963	37,394,336	43,477,882	39,400,001	32,627,455	26,491,736
Expenditures:										
Current:										
General government+	6,147,009	6,058,525	6,661,740	9,021,111	6,653,593	8,139,861	7,224,134	6,582,621	6,231,767	5,618,696
Highways and streets+	3,727,336	4,817,853	3,795,364	7,399,331	4,858,799	4,585,701	4,871,550	4,245,419	5,273,278	6,662,147
Public safety+	11,313,648	10,434,120	9,952,158	9,726,598	9,328,513	8,940,386	8,689,310	8,102,779	8,703,310	6,700,455
Capital outlay	14,068,287	8,284,654	9,284,164	10,543,565	5,231,339	4,565,061	11,112,930	16,026,839	6,880,754	3,008,467
Debt service:										
Principal*	-	-	1,170,000	1,130,000	1,085,000	975,000	400,000	425,000	410,000	160,000
Interest*	-	-	1,405,454	3,061,165	3,306,338	3,322,660	3,179,840	1,350,350	1,338,422	1,431,730
Pass-through payments*	-	-	828,396	2,235,547	2,515,074	2,782,837	2,517,625	2,004,045	1,347,054	971,885
SERAF Payment*	-	-	-	655,133	3,182,076	-	-	-	-	-
Payment to bond escrow agent*	-	-	-	-	-	-	-	1,608,243	-	286,825
Total expenditures	35,256,280	29,595,152	33,097,276	43,772,450	36,160,732	33,311,506	37,995,389	40,345,296	30,184,585	24,840,205
Excess (deficiency) of revenues over (under) expenditures	(6,627,175)	4,546,823	(3,998,514)	(7,175,822)	(3,673,769)	4,082,830	5,482,493	(945,295)	2,442,870	1,651,531
Other financing sources (uses):										
Issuance of long term debt	-	-	-	-	-	-	-	42,645,000	-	3,690,000
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	(3,509,943)
Transfers in	708,567	6,426,146	3,535,100	6,768,484	5,106,171	3,319,665	3,416,247	8,818,308	6,512,235	4,097,040
Transfers out	(708,567)	(6,426,146)	(3,535,100)	(7,599,291)	(5,606,171)	(3,819,665)	(4,566,247)	(9,868,308)	(6,512,235)	(4,447,040)
Total other financing sources (uses)	-	-	-	(830,807)	(500,000)	(500,000)	(1,150,000)	41,595,000	-	(169,943)
Extraordinary Item	(946,087)	(2,168,384)	(55,543,582)	-	-	-	-	-	-	-
Net change in fund balances	$ (7,573,262)	$2,378,439	$ (59,542,096)	$ (8,006,629)	$ (4,173,769)	$3,582,830	$4,332,493	$ 40,649,705	$2,442,870	$1,481,588
Debt service* as a percentage of noncapital+ expenditures	0.0%	0.0%	16.7%	27.1%	48.4%	32.7%	29.3%	28.5%	15.3%	15.0%

Debt service is for the former RDA. The City has no debt.
The RDA was dissolved on February 1, 2012.

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

	Assessed Value								
Category	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential	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	2,096,881,470
Commercial	194,061,982	190,385,491	197,340,618	197,876,791	194,047,501	158,419,204	145,475,322	122,466,759	99,060,971
Industrial	42,408,595	39,608,573	38,257,586	39,108,545	39,144,816	17,548,829	16,345,050	18,347,146	11,779,501
Irrigated	791,192	1,023,979	1,003,899	1,160,051	1,219,204	1,633,753	1,601,720	1,570,314	2,212,971
Dry Farm	195,718	191,880	188,118	186,712	187,155	183,485	179,887	2,531,535	2,522,873
Recreational	2,390,411	2,243,540	2,416,706	2,503,273	2,496,725	2,468,984	2,465,318	3,179,482	3,022,813
Institutional	27,588,682	27,124,221	27,049,010	27,098,415	27,162,790	26,630,187	26,108,023	25,029,578	24,204,947
Miscellaneous	12,959,361	13,574,718	13,405,863	15,081,959	12,190,155	9,549,423	14,946,904	9,691,230	10,081,229
Vacant Land	74,106,442	77,808,833	81,515,351	88,317,166	104,613,843	117,046,561	110,910,014	86,982,384	62,609,108
SBE Nonunitary	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Unsecured	62,341,169	63,946,028	63,630,188	64,760,058	63,499,158	52,729,890	46,934,714	39,558,005	37,840,343
Unknown	-	1,285,846	866,876	-	-	-	-	-	5,715
Exemptions	(60,509,158)	(57,924,892)	(56,024,399)	(57,634,552)	(58,825,841)	(49,794,191)	(47,479,131)	(44,223,613)	(41,692,396)
Total	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	2,308,561,045
Total direct rate	0.23897	0.47862	0.48340	0.48807	0.49638	0.48826	0.48135	0.46008	0.48135

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, the assessed 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 that point, the 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 taxable property and is subject to the limitations described above.

Source: HdL

The City of Highland has elected to show only nine years of data for this schedule.

CITY OF HIGHLAND
Direct and Overlapping Property Tax Rates
(Rate per $100 of assessed value)
Current Fiscal Year

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

NOTE:
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 resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the 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.

CITY OF HIGHLAND
Principal Property Tax Payers
Current Fiscal Year

Taxpayer	2014 Taxable Assessed Value	2014 Percent of Total City Taxable Assessed Value
Victoria Development Company	24,573,347	0.88%
Sam Menlo Trust	16,478,654	0.59%
Lowes HIW Inc.	16,255,380	0.58%
Greenspot Ranch Investors	13,607,922	0.49%
Greenspot Village & Marketplace LLC	11,261,105	0.40%
Cole LA Highland California LP	9,659,478	0.34%
Boulder Baseline Investors	9,582,192	0.34%
Mountain Breeze Villa LP	8,934,830	0.32%
ACAA LP	8,585,694	0.31%
IH2 Property West LP ETAL	8,558,337	0.31%
	$127,496,939	4.55%

The amounts shown above include assessed value data for both the City and the former Redevelopment Agency.

Source: HdL

CITY OF HIGHLAND
Property Tax Levies and Collections
Last Nine 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
2006	$ 5,632,889	4,935,668	87.62%	57,739	4,993,407	88.65%
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%

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.

The City of Highland has elected to show only nine years of data for this schedule.

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

Fiscal Year Ended June 30	Governmental Activities Former RDA Tax Allocation Bonds	Percentage of Personal Income [1]	Debt Per Capita [1]
2005	$ 21,055,000	2.24%	414
2006	20,645,000	2.15%	401
2007	62,865,000	6.38%	1,207
2008	62,465,000	5.84%	1,197
2009	61,490,000	5.87%	1,174
2010	60,405,000	5.74%	1,151
2011	59,275,000	5.61%	1,109
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	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. The City currently does not have any debt.

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt: Former RDA Tax Allocation Bonds	Percent of Assessed Value [1]	Per Capita
2005	$ 21,055,000	1.04%	$ 413,980
2006	20,645,000	0.89%	400,959
2007	62,865,000	2.28%	1,207,062
2008	62,465,000	1.96%	1,197,221
2009	61,490,000	1.88%	1,174,101
2010	60,405,000	2.06%	1,150,681
2011	59,275,000	2.19%	1,109,105
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	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. The City currently does not have any debt.

CITY OF HIGHLAND
Direct and Overlapping Debt
June 30, 2014

City Assessed Valuation	$ 2,346,065,004
Redevelopment Agency Incremental Valuation	458,188,646
Total Assessed Valuation	$ 2,804,253,650

	Percentage Applicable [1]	Outstanding Debt 6/30/2014	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes		-	-
Overlapping Other Debt:			
San Bernardino Community College District	1.911%	$ 162,592,569	$ 3,107,144
Redlands Unified School District	2.407%	100,934,358	2,429,490
San Bernardino Unified School District	5.052%	155,302,158	7,845,865
City of Highland CFD 90-1	100.000%	2,905,000	2,905,000
City of Highland CFD 2001-1	100.000%	5,145,000	5,145,000
San Bernardino County General Fund Obligations	0.220%	840,890,000	1,849,958
San Bernardino County Pension Obligations	0.220%	738,425,455	1,624,536
San Bernardino Valley Municipal Water District COP	0.921%	4,200,000	38,682
Redlands Unified School District COP	0.241%	10,988,797	26,483
San Bernardino Unified School District COP	4.100%	88,675,000	3,635,675
Total overlapping other debt		2,110,058,337	28,607,833
Total overlapping debt		$ 2,110,058,337	$ 28,607,833
City direct debt			-
Total direct and overlapping debt			$ 28,607,833

Notes:

[1] For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Details regarding the Successor Agency to the Highland Redevelopment Agency's outstanding debt can be found in the notes to the financial statements. The City currently does not have any debt.

Source: California Municipal Statistics, Inc.

CITY OF HIGHLAND
Legal Debt Margin Information
Last Eight Years

	Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008	2007
Assessed Valuation	$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	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$ 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	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	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	$ 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 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%

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

The City of Highland has elected to show only eight years of data for this schedule.

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	
2005	$ 4,702,074	160,000	917,715	4.36
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	-	-	-	-

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 o advances (loans) from the City.

CITY OF HIGHLAND
Demographic and Economic Statistics
Last Seventeen Calendar Years

Calendar Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (3)	Unemployment Rate (4)
1998	42,700	636,999	14,918	6.7%
1999	42,832	662,997	15,479	5.0%
2000	44,500	713,736	16,039	6.1%
2001	45,575	767,939	16,850	6.0%
2002	45,787	780,073	17,037	5.2%
2003	47,412	812,025	17,127	5.3%
2004	49,246	860,131	17,466	5.1%
2005	50,860	940,808	18,498	5.4%
2006	51,489	961,763	18,679	5.2%
2007	52,081	985,789	18,928	6.1%
2008	52,175	1,070,214	20,512	7.9%
2009	52,372	1,046,969	19,991	13.6%
2010	52,495	1,051,947	20,039	14.8%
2011	53,444	1,056,053	19,760	13.2%
2012	53,664	1,206,313	22,479	12.3%
2013	53,926	1,187,127	22,014	12.2%
2014	54,033	1,173,489	21,718	10.6%

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	Full-Time Equivalent Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City clerk	1.950	1.950	1.800	1.800	1.800	1.950	1.950	2.000	1.000	1.000
General government	3.925	3.950	3.650	3.650	3.900	3.900	3.900	2.800	2.800	1.700
Personnel	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.500	0.500	0.500
Finance	4.375	4.400	3.900	3.900	3.900	3.600	3.300	4.000	4.000	4.000
Public works (Gas Tax)	5.200	5.000	5.250	5.250	5.500	5.500	5.500	5.000	5.000	5.700
Engineering	0.350	0.500	0.750	0.750	0.750	1.000	1.000	1.000	1.000	1.000
Planning	5.550	5.650	4.500	4.500	4.500	5.200	5.200	4.600	4.600	3.600
Public services	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.000	1.000	1.000
Building and safety	1.550	1.550	1.475	1.475	1.475	1.475	1.475	1.900	1.900	3.150
Code enforcement	2.400	2.400	1.775	1.775	1.775	1.775	1.775	2.200	1.700	1.450
Parks and trails	2.150	2.250	2.250	2.250	2.500	2.500	2.500	2.500	2.000	1.060
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	-	-	-	-	-	-	-	-	-	0.750
Assessment districts	-	-	-	-	-	-	-	-	-	0.190
AQMD AB 2766	-	-	-	-	-	-	-	-	-	-
General liability	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.450	0.450	0.500
Building services	0.850	0.250	0.250	0.250	0.500	0.500	0.500	-	-	0.050
Housing authority	0.100	-	-	-	-	-	-	-	-	-
Redevelopment/Successor agency	0.500	-	6.300	6.300	6.300	5.500	4.800	3.650	3.650	2.950
	34.000	33.000	37.000	37.000	38.000	38.000	37.000	34.000	32.000	31.000

Source: City of Highland.

CITY OF HIGHLAND
Operating Indicators
by Department
Last Ten Fiscal Years

	Fiscal Year										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police department:											
Calls for service	47,208	44,270	46,260	46,253	47,608	48,089	47,789	45,467	43,589	44,274	34,343
Arrests	1,362	1,659	1,767	1,728	1,618	2,863	1,292	692	665	662	654
Animal control services:											
Calls for service	4,268	3,977	4,141	4,100	4,194	4,135	4,078	3,069	3,000	3,376	3,656
Impounds	2,066	2,579	2,260	2,274	2,202	2,298	2,255	2,105	2,006	2,370	2,466
Dog licenses issued*	2,394	2,647	3,273	2,868	3,259	3,210	1,213	n/a	n/a	n/a	n/a
Public works:											
Roadway maintained (miles)	142.50	142.50	142.50	140.96	139.96	139.96	139.96	139.96	133.10	132.60	131.76
Planning:											
Applications	190	151	180	157	110	98	160	116	105	76	42
Building and safety:											
Building permits issued	1,154	1,048	1,276	1,073	894	866	867	1,034	588	537	639
Administration:											
New business licenses*	411	627	667	574	420	447	394	n/a	n/a	n/a	n/a
Renewed business licenses*	1,520	1,287	1,239	1,072	1026	928	275	n/a	n/a	n/a	n/a
Parks:											
Number of parks	7	7	7	6	6	5	5	4	4	4	4
Acreage	37.25	37.25	37.25	36.25	36.25	35.80	35.80	32.50	32.50	32.50	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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	2
Public works:										
Corporation yards	1	1	1	1	1	1	1	1	1	1
Streets (miles)	142.50	142.50	142.50	140.96	139.96	139.96	139.96	139.96	133.10	132.60
Street lights	3,395	3,380	3,376	3,326	3,315	3,297	3,255	3,226	3,185	3,183
Traffic signals	75	73	71	71	71	71	71	71	69	58
Recreation:										
Parks	7	7	7	6	6	5	5	5	5	4
Community centers	1	1	1	1	1	1	1	1	1	1
Athletic centers	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.

NOVEMBER 24, 1987

CITY OF HIGHLAND