

City of Highland California



Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2015



CITY OF HIGHLAND
Highland, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015



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Prepared by the Finance Department:

Chuck Dantuono
Director of Administrative Services/City Treasurer



CITY OF HIGHLAND

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January 12, 2016

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2015.

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

White Nelson Diehl Evans LLP, a firm of certified public accountants, have issued an unmodified (“clean”) opinion on the City of Highland’s financial statements for the year ended June 30, 2015. The independent auditor’s report is located in the front of the financial section of this report.

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

Profile of the Government

The City of Highland was incorporated on November 24, 1987 and is located at the foothills of the San Bernardino Mountains in the heart of the Inland Empire. San Bernardino County along with Riverside County makes up the Inland Empire, one of the largest regions in the United States. Highland has a current population of 54,332 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. Once the entitlements are approved, mass grading could start immediately. Development can begin once the mass grading is finished. This is expected in the next few years.

Mayor
Larry McCallon

Mayor Pro Tem
Penny Lilburn

City Council
Sam J. Racadio

City Council
Jody Scott

City Council
John P. Timmer

City Manager
Joseph A. Hughes

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, finalize the construction of the infrastructure in the golden triangle, develop Orange County/Lewis Operating Corporation specific plan, complete construction of Greenspot Road bridge and complete the preliminary engineering for the Base Line interchange project; 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 2014/2015. 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, transient occupancy tax, franchise fees and sale & use tax increased. Intergovernmental revenue saw a slight decrease. Because of declining interest rates, investment income was down. With expenditures increasing at a higher rate than revenues over the last few years, it was the efficient and careful watch of these expenditures that made it possible for the general fund to be balanced in 2014/2015. Although Highland does have a "rainy day" fund, we have never had to use it.

In adopting the 2013/2015 biennial budget, the City had to take into consideration that expenditures were continuing to increase at a higher rate than revenues. As a result, budgeted property taxes in the general fund and fire department fund for 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 funds 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 stable 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 has spent \$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 are 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. Also opening this last year was Dick's BBQ in the Golden Triangle. 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. This was accomplished by the General Fund taking on an additional \$755,000 per year in expenses that was previously paid by the RDA. The City is still working with the Department of Finance (DOF) in getting repaid \$1.9M in outstanding loans. The two loans of \$1.3M and \$600,000 were loaned to the RDA in 1997 and 1998, in good faith. It was the full intention of the City for these loans to be repaid someday.

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.

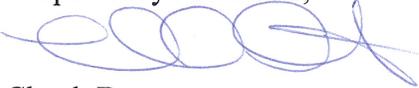
The GFOA also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for the fiscal year ended June 30, 2014 for its comprehensive annual financial report. This award is the highest form of recognition for excellence in state and local government financial reporting. This was the twenty-fifth consecutive year that the City has received such recognition. Nine 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, 2014. The City had received this award every year since first applying for it in 1990-1991. The City will only be able to apply for the GFOA Certificate of Achievement award from now on.

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

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

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

Respectfully submitted,



Chuck Dantuono
Director of Administrative
Services/City Treasurer



CITY OF HIGHLAND

Listing of Officials

June 30, 2015

Elected Officials

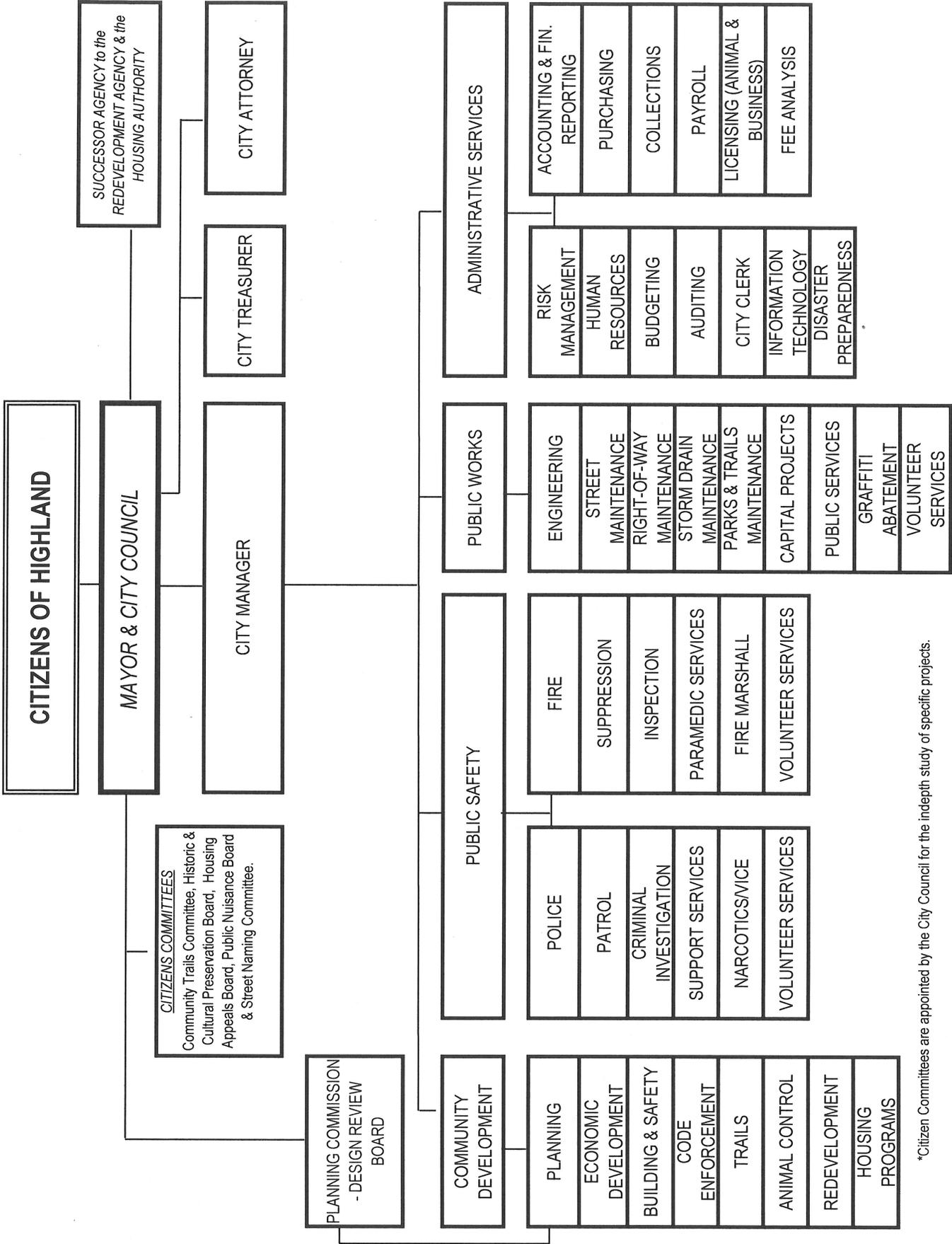
Mayor	Larry McCallon
Mayor Pro Tem	Penny Lilburn
Council member	Sam Racadio
Council member	Jody Scott
Council member	John Timmer

Finance/Personnel Subcommittee

Committee member	Sam Racadio
Committee member	John Timmer

Management

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



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



Government Finance Officers Association

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

Presented to

**City of Highland
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plan, the schedule of funding progress - other post-employment benefits and budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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 December 12, 2015, 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 Dick Evans LLP

Irvine, California
December 12, 2015



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, 2015. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

	Government-wide Statements	Fund 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	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City’s fiduciary funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Reporting the City as a Whole

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

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

The Statement of Net Position and the Statement of Activities:

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

Reporting the City's Most Significant Funds

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

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

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

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Net Position June 30, 2015		
Governmental Activities		
	<u>2015</u>	<u>2014 (as restated)</u>
Current and other assets	52,886,649	55,165,466
Capital assets, net	<u>215,639,035</u>	<u>209,133,022</u>
Total assets	268,525,684	264,298,488
Deferred Outflows of Resources	418,087	363,682
Long-term liabilities	4,041,656	4,829,641
Other liabilities	<u>2,816,608</u>	<u>3,921,395</u>
Total liabilities	6,858,264	8,751,036
Deferred Inflows of Resources	796,561	-
Net position:		
Net Investment in capital assets	215,639,035	209,133,022
Restricted	36,329,464	35,679,537
Unrestricted	<u>9,320,447</u>	<u>11,098,575</u>
Total net position	\$261,288,946	\$255,911,134

The largest portion of the City's net position (82.5%) 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 (13.9%) 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 (3.6%) 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.

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

	Changes in Net Position June 30, 2015 Governmental Activities	
	<u>2015</u>	<u>2014</u>
Program Revenues:		
Charges for services	5,485,215	5,773,324
Operating contributions & grants	4,464,421	7,901,021
Capital contributions & grants	<u>11,931,594</u>	<u>17,151,933</u>
Total Program Revenues	21,881,230	30,826,749
General Revenues:		
Property taxes	8,568,219	8,188,274
Sales & use tax	1,682,344	1,639,446
Transient occupancy tax	264,628	249,722
Franchise fees	1,561,126	1,500,203
Business license tax	344,282	253,690
Other	14,362	47,160
Investment income	987,829	48,567
Miscellaneous	<u>1,403,154</u>	<u>1,004,511</u>
Total General Revenues	14,825,944	12,931,573
Total revenues	<u>36,707,174</u>	<u>43,757,851</u>
Expenses:		
General government	6,693,784	7,288,603
Highways & streets	12,304,340	13,352,100
Public safety	<u>12,331,238</u>	<u>11,800,508</u>
Total expenses	31,329,362	32,441,211
Change in net position	5,377,812	11,316,640
Restatement of Capital Assets (note 16)	-	3,746,577
Restatement of depreciation (note 16)	-	(3,859,190)
Extraordinary Item-Repayment of Advance	-	(946,087)
Implementation of GASB 68 & 71 (note 16)	-	(3,513,889)
Change in net position	5,377,812	6,744,051
Beginning net position	255,911,134	249,167,083
Ending net position	261,288,946	255,911,134

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 2.0% (\$255.9M compared to \$261.3M). The net position (financial position) of the City changed as a result of the revenue and expense fluctuations described below.

The decrease in total program revenues above is due to grants (operating grants & capital grants) not being utilized in 2014/2015 as much as we did in 2013/2014. The primary reduction was in the form of capital grants, mainly for infrastructure. The use of grants whether operating or capital will fluctuate from year to year. General revenues increased because of the repayment of interest of the former RDA loan (\$946,087) and all of the tax categories increasing marginally.

Overall expenses in general government decreased as a result of all of the departments in the general fund and other funds, watching their administrative expenses. Expenses in Highways & Streets decreased as a result of grant activity-primarily because of the HBP grant discussed above for Greenspot Road 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 and Restated Items is a result of the situations discussed above.

For the reasons stated above, the City's net position increased by \$5.4M (\$255.9M to \$261.3M).

Governmental Activities

	Revenues by Source			
	2014/2015	%	2013/2014	%
Charges for services	5,485,215	14.9%	5,773,324	13.2%
Operating contributions & grants	4,464,421	12.2%	7,901,021	18.1%
Capital contributions & grants	11,931,594	32.5%	17,151,933	39.2%
Property taxes	8,568,219	23.3%	8,188,274	18.7%
Sales & use tax	1,682,344	4.6%	1,639,446	3.7%
Transient occupancy tax	264,628	0.7%	249,722	0.6%
Franchise fees	1,561,126	4.3%	1,500,203	3.4%
Business license tax	344,282	0.9%	253,690	0.6%
Other	14,362	0.1%	47,160	0.1%
Investment income	987,829	2.7%	48,567	0.1%
Miscellaneous	1,403,154	3.8%	1,004,511	2.3%
Total Revenues	\$36,707,174	100.0%	\$43,757,851	100.0%

	Expenses by Function			
	2014/2015	%	2013/2014	%
General government	6,693,784	21.4%	7,288,603	22.5%
Highways & streets	12,304,340	39.3%	13,352,100	41.2%
Public safety	12,331,238	39.4%	11,800,508	36.4%
Total Expenses	\$31,329,362	100.0%	\$32,441,211	100.0%

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 \$8,482,611. The total fund balance is broken down into two categories, Nonspendable and Spendable. Spendable is then broken down into three sub-categories; Restricted, Assigned and Unassigned. Nonspendable is just that, it cannot be spent because it is not in a spendable form, such as inventory. Restricted means there have been restrictions placed on how these funds can be used (similar to the “reserved” term we used to use). Committed means the City Council has committed these funds for a specific project or intent. And lastly, Assigned means the City Council has given permission to the City Manager to assign funds to a specific project or intent.

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

- Total revenues (excluding operating transfers) increased by \$1,005,494, a 7.2% increase. Taxes increased by 4.3% or \$499,407. This is attributable to all categories of taxes (property, sale & use, extraction tax increasing marginally. Licenses and Permits decreased mildly by 0.3% or \$1,506. Miscellaneous revenue decreased by 62.6% or \$517,187. This was mainly due to receiving a one-time reimbursement from the San Bernardino County Sheriff’s Department for Worker’s Compensation in 2013/2014. Intergovernmental revenue increased by 4.7% or \$4,049 and Charges for Services increased by 9.9% or \$91,145 due in part to development starting to come back. Interest income increased by 9,239% or \$938,711 as a result of an RDA loan being paid off with \$946,000 in interest income.
- Total expenses (excluding operating transfers) increased by \$171,741. Although there was an increase in the Sheriff contract, all departments were once again vigilant with their budgets and this accounted for an overall increase of expenses of only 1.3%. General government (all departments other than public safety) expenses decreased by 0.7% or 38,985. Public safety (police department & animal control) increased by 2.9% or \$233,694. There were no capital purchases in the general fund in 2014/2015.
- Fund Balance in the general fund increased by \$3,376.

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

- Expenses in this fund decreased by \$3,263,791 primarily because of the HBP (Highway Bridge Program) and TE (Transportation Enhancement) grants the City used to construct the Boulder Avenue Bridge and the Greenspot Road Bridge were more heavily used in 2013/2014 than 2014/2015.
- Typically, revenues should equal expenses in this fund. However, some projects can’t be reimbursed until the project is over or reimbursements are not received in a timely fashion and are not accounted for in the same period as the expense. This will lead to expenses over revenues in some years as well as a negative fund balance on some occasions. In rare circumstances, we will receive the revenue before the project is started and expenses are incurred. In 2014/2015, the HBP & TE grant expenses of the Greenspot Road Bridge alone totaled over \$7M and were not reimbursed soon enough to be accounted for in 2014/2015. They will be accounted for in 2015/2016.

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

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

- There was an overall decrease in revenues in this fund of 4.5% primarily due to charges for services and intergovernmental revenues decreasing by 20.6% and 33.8%, respectively. Intergovernmental includes Residual Balance revenues which is “leftover” or residual former RDA tax increment. This amount decreased by \$110,974 or 33.8%. However, property taxes did increase marginally by \$99,304 or 4.4%. Interest Income decreased by 1.0%. Licenses & Permits decreased by \$19,057 or 40.0%.
- The overall expenses in this department increased by \$14,415 or 0.6%. Capital outlay increased by \$35,424 or 72.4%. This was due to the demolition of the old Library and Post Office buildings located on the site of the future Fire Station No. 1.
- The fund balance of this fund decreased by \$222,168. This is primarily due to the intergovernmental revenue decline and capital outlay expenses increasing as discussed above.

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

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

- The overall expenses in this department decreased by \$1,190,503 primarily due to higher grant and joint project activity in 2013/2014. These grants and joint projects will vary from year to year. Although the expenses were less in 2014/2015, there was still significant activity with the following projects; Greenspot Road Bridge (grants and joint project with East Valley Water District) and the 5th Street storm drain project with East Valley Water District.
- The fund balance of this fund increased by \$232,704 due to grant reimbursements and joint project reimbursements for 2013/2014 being received 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 overall revenues in the Measure I fund increased marginally by \$56,822 or 6.9%. Measure I funds (the ½ cent sales tax increase on gasoline) received increased by \$56,225. Investment income increased by \$597.
- The overall expenses in this department increased by \$392,672 primarily due to this fund being heavily used in 2014/2015 for capital projects. This fund was used for projects such as; the 9th Street rehabilitation project and the Base Line beautification project.
- The fund balance of this fund decreased by \$349,885 for the reasons discussed above. This fund will continue see more activity with capital projects in 2015/2016.

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

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

- Revenues in this fund increased from \$22,940 in 2013/2014 to \$988,631 in 2014/2015 primarily due to the \$945,413 loan the City made to Orange County. This loan financed infrastructure improvements on the newly constructed Greenspot Road bridge that will benefit the Harmony development when it develops. It was more efficient to construct those improvements now, rather than later after the bridge was already fully constructed. Investment income increased modestly by 5.8% or \$1,140.
- Expenses in this fund increased by \$183,535 due to this fund being heavily used to match grants for capital projects in 2014/2015. Highland's success in obtaining grants is very much due to being able to match grant funds when some cities are not able to do so. Many grants are competitive and having the capability to match these grant funds gives Highland an edge. This fund also assisted with one-time capital projects in 2014/2015. 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 increased overall by \$783,992. This is because the general fund transferred \$1,686,087 to the general capital financing fund to help fund future projects including the pavement rehabilitation program. These funds will also be used to match future competitive grants.

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 2014/2015.

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:

- \$151,437 for completing the Environmental Impact Report for the Harmony project. This expense was reimbursed by the developer.
- \$1,686,087 General Fund transfer to the General Capital Financing fund for future capital projects including the Pavement Management System.

Additional information on the City's budget adjustments and policies can be found in the notes to required supplementary information on page 94.

CAPITAL ASSETS

Capital Assets (net of depreciation) Governmental Activities

	<u>2015</u>	<u>2014 (as restated)</u>
Land	\$4,530,880	\$4,230,405
Rights of Way	86,802,528	86,675,312
Construction in progress	6,786,811	17,767,602
Buildings & improvements	29,478,756	30,717,818
Equipment, furniture & software	1,957,087	2,129,727
Vehicles	1,465,717	1,575,649
Infrastructure	<u>84,617,256</u>	<u>66,036,509</u>
Total	<u>\$215,639,035</u>	<u>\$209,133,022</u>

The major additions to capital assets during the year ended June 30, 2015 were as follows:

- Purchased a plotter printer for public works.
- Installed ALPR (Automated License Plate Readers) throughout the City.
- Purchased vacant land on Central Avenue to potentially expand the current Senior Housing project.

Infrastructure additions include but are not limited to:

- Project No. SWK 13-002 City Wide Sidewalk repairs.
- Project No. BRG 04-005 Greenspot Road Bridge.
- Project No. STR 07-003 Base Line Beautification project.
- Project No. STR 11-002 9th Street Safety Improvements project.
- Project No. STR 07-004 Greenspot Road Improvements.
- Project No. SIG 13-001 Traffic Signals (Base Line/Browning & Greenspot/Weaver).
- Lankershim Avenue Street Improvements.

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

LONG-TERM DEBT

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 59.

Contacting the City's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Administrative Services/City Treasurer, Chuck Dantuono, at the City of Highland, 27215 Base Line, Highland, California, 92346.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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

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

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

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



CITY OF HIGHLAND
STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 35,899,248
Restricted cash and investments:	
Cash and investments with fiscal agent	23,432
Receivables, net:	
Accounts	1,294,705
Interest	20,480
Property taxes	124,701
Loans	1,803,573
Due from other governments	11,811,782
Advance to Successor Agency	1,900,000
Inventory	3,540
Prepays items	5,188
Capital assets:	
Nondepreciable	98,120,219
Depreciable, net of accumulated depreciation	117,518,816
TOTAL ASSETS	<u><u>268,525,684</u></u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension	418,087
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>418,087</u></u>
 LIABILITIES:	
Accounts payable	1,388,141
Accrued liabilities	116,171
Retention payable	422,993
Deposits payable	889,303
Long-term liabilities:	
Due within one year	105,979
Due in more than one year	3,935,677
TOTAL LIABILITIES	<u><u>6,858,264</u></u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension	796,561
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>796,561</u></u>
 NET POSITION:	
Net investment in capital assets	215,639,035
Restricted for:	
Public safety	10,811,124
Highways and streets	24,126,132
Affordable housing	1,392,208
Unrestricted	9,320,447
TOTAL NET POSITION	<u><u>\$ 261,288,946</u></u>

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position 2015
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,693,784	\$ 1,080,488	\$ 124,118	\$ 859,640	\$ (4,629,538)
Public safety	12,331,238	3,517,820	247,717	-	(8,565,701)
Highways and streets	12,304,340	886,907	4,092,586	11,071,954	3,747,107
Total governmental activities	<u>\$ 31,329,362</u>	<u>\$ 5,485,215</u>	<u>\$ 4,464,421</u>	<u>\$ 11,931,594</u>	<u>(9,448,132)</u>
General revenues:					
Taxes:					
Property taxes					8,568,219
Sales and use tax					1,682,344
Transient occupancy tax					264,628
Franchise taxes					1,561,126
Business license tax					344,282
Other					14,362
Investment income					987,829
Miscellaneous					<u>1,403,154</u>
Total general revenues					<u>14,825,944</u>
Change in net position					5,377,812
Net position - Beginning of Year, as restated					<u>255,911,134</u>
Net position - End of Year					<u>\$ 261,288,946</u>

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

Major Funds

A fund meets the criteria of a major fund if;

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

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

GENERAL FUND

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

SPECIAL REVENUE FUNDS

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

GOVERNMENTAL FUNDS (CONTINUED)

Other Governmental Funds

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



CITY OF HIGHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue Funds		
	General	Measure I	Fire Department
ASSETS			
Cash and investments	\$ 291,356	\$ 6,947,235	\$ 5,720,176
Restricted cash and investments:			
Cash and investments with fiscal agent	-	-	-
Receivables:			
Accounts	710,493	-	437,484
Interest	110	4,547	3,224
Property taxes	60,414	-	40,477
Loans	144,341	-	-
Due from other governments	302,103	133,927	-
Due from other funds	7,411,440	-	445,000
Inventory	3,540	-	-
Advance to Successor Agency	1,040,000	-	-
Prepaid items	5,188	-	-
	<u>\$ 9,968,985</u>	<u>\$ 7,085,709</u>	<u>\$ 6,646,361</u>
TOTAL ASSETS			
	<u>\$ 9,968,985</u>	<u>\$ 7,085,709</u>	<u>\$ 6,646,361</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 495,571	\$ 109,295	\$ 49,865
Accrued liabilities	87,159	-	-
Retention payable	-	31,319	-
Deposits payable	889,303	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>1,472,033</u>	<u>140,614</u>	<u>49,865</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	14,341	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,341</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT):			
Nonspendable	1,178,728	-	-
Restricted	-	6,945,095	6,596,496
Assigned	5,201,502	-	-
Unassigned	2,102,381	-	-
TOTAL FUND BALANCES (DEFICIT)	<u>8,482,611</u>	<u>6,945,095</u>	<u>6,596,496</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,968,985</u>	<u>\$ 7,085,709</u>	<u>\$ 6,646,361</u>
	<u>\$ 9,968,985</u>	<u>\$ 7,085,709</u>	<u>\$ 6,646,361</u>

See accompanying notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Fund		
Grants	Major Grants	General Capital Financing	Other Governmental Funds	Total Governmental Funds
\$ 277,802	\$ -	\$ 6,888,587	\$ 11,263,764	\$ 31,388,920
-	-	-	23,432	23,432
-	-	-	68,267	1,216,244
197	-	5,487	3,886	17,451
-	-	-	23,810	124,701
-	-	963,504	695,728	1,803,573
1,666,698	8,821,587	-	887,467	11,811,782
-	-	1,615,000	672,000	10,143,440
-	-	-	-	3,540
-	-	480,000	380,000	1,900,000
-	-	-	-	5,188
<u>\$ 1,944,697</u>	<u>\$ 8,821,587</u>	<u>\$ 9,952,578</u>	<u>\$ 14,018,354</u>	<u>\$ 58,438,271</u>
\$ 28,044	\$ 272,448	\$ 46,310	\$ 365,783	\$ 1,367,316
-	-	-	24,712	111,871
170,891	148,133	-	72,650	422,993
-	-	-	-	889,303
513,754	8,401,006	-	1,612,685	10,527,445
<u>712,689</u>	<u>8,821,587</u>	<u>46,310</u>	<u>2,075,830</u>	<u>13,318,928</u>
<u>1,133,134</u>	<u>8,016,295</u>	<u>18,091</u>	<u>1,461,312</u>	<u>10,643,173</u>
<u>1,133,134</u>	<u>8,016,295</u>	<u>18,091</u>	<u>1,461,312</u>	<u>10,643,173</u>
-	-	1,425,413	-	2,604,141
98,874	-	-	12,045,826	25,686,291
-	-	8,462,764	-	13,664,266
-	(8,016,295)	-	(1,564,614)	(7,478,528)
<u>98,874</u>	<u>(8,016,295)</u>	<u>9,888,177</u>	<u>10,481,212</u>	<u>34,476,170</u>
<u>\$ 1,944,697</u>	<u>\$ 8,821,587</u>	<u>\$ 9,952,578</u>	<u>\$ 14,018,354</u>	<u>\$ 58,438,271</u>



CITY OF HIGHLAND

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

June 30, 2015

Fund balances for governmental funds \$ 34,476,170

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

Capital Related Items

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

Capital assets, not being depreciated	\$ 98,120,219	
Capital assets, being depreciated	178,148,129	
Accumulated depreciation	<u>(60,629,313)</u>	
		215,639,035

Long-Term Debt Transactions

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

Compensated absences	(544,589)	
Other post employment benefits	<u>(305,899)</u>	
		(850,488)

Internal Service Funds

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

4,806,698

Net Pension Liability

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

Deferred outflows of resources	418,087	
Deferred inflows of resources	(796,561)	
Pension liability	<u>(3,047,168)</u>	
		(3,425,642)

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.

10,643,173

Net position of governmental activities \$ 261,288,946

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Measure I</u>	<u>Fire Department</u>
REVENUES:			
Taxes	\$ 12,054,174	\$ -	\$ 2,364,896
Licenses and permits	533,338	-	28,605
Intergovernmental	89,471	859,640	217,073
Charges for services	1,008,079	-	437,484
Fines and forfeitures	91,294	-	-
Investment income	948,871	17,304	13,305
Rental income	-	-	-
Miscellaneous	309,537	-	-
TOTAL REVENUES	<u>15,034,764</u>	<u>876,944</u>	<u>3,061,363</u>
EXPENDITURES:			
Current:			
General government	5,243,023	-	135,097
Highways and streets	-	227,857	-
Public safety	8,094,595	-	2,211,079
Capital outlay	-	998,972	84,350
TOTAL EXPENDITURES	<u>13,337,618</u>	<u>1,226,829</u>	<u>2,430,526</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,697,146</u>	<u>(349,885)</u>	<u>630,837</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	20,000	-	-
Transfers out	(1,713,770)	-	(853,005)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,693,770)</u>	<u>-</u>	<u>(853,005)</u>
NET CHANGE IN FUND BALANCES	3,376	(349,885)	(222,168)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>8,479,235</u>	<u>7,294,980</u>	<u>6,818,664</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 8,482,611</u>	<u>\$ 6,945,095</u>	<u>\$ 6,596,496</u>

See accompanying notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Fund		
Grants	Major Grants	General Capital Financing	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,037,810	\$ 15,456,880
-	-	-	-	561,943
2,377,696	1,124,950	-	1,915,245	6,584,075
-	-	-	122,438	1,568,001
-	-	-	146,012	237,306
734	-	20,843	26,081	1,027,138
-	-	-	121,961	121,961
-	-	967,788	16,537	1,293,862
<u>2,378,430</u>	<u>1,124,950</u>	<u>988,631</u>	<u>3,386,084</u>	<u>26,851,166</u>
-	-	598,328	254,063	6,230,511
279,271	13,138	-	2,714,092	3,234,358
-	-	-	1,488,274	11,793,948
<u>2,811,868</u>	<u>3,413,507</u>	<u>346,985</u>	<u>865,322</u>	<u>8,521,004</u>
<u>3,091,139</u>	<u>3,426,645</u>	<u>945,313</u>	<u>5,321,751</u>	<u>29,779,821</u>
<u>(712,709)</u>	<u>(2,301,695)</u>	<u>43,318</u>	<u>(1,935,667)</u>	<u>(2,928,655)</u>
945,413	-	1,686,087	870,688	3,522,188
<u>-</u>	<u>-</u>	<u>(945,413)</u>	<u>(10,000)</u>	<u>(3,522,188)</u>
<u>945,413</u>	<u>-</u>	<u>740,674</u>	<u>860,688</u>	<u>-</u>
232,704	(2,301,695)	783,992	(1,074,979)	(2,928,655)
<u>(133,830)</u>	<u>(5,714,600)</u>	<u>9,104,185</u>	<u>11,556,191</u>	<u>37,404,825</u>
<u>\$ 98,874</u>	<u>\$ (8,016,295)</u>	<u>\$ 9,888,177</u>	<u>\$ 10,481,212</u>	<u>\$ 34,476,170</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

Net change in fund balances, after extraordinary items - total governmental funds \$ (2,928,655)

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	\$ 6,760,176	
Contribution from successor agency	7,756,670	
Depreciation of capital assets	(4,711,143)	
Disposal of capital assets	<u>(3,299,690)</u>	6,506,013

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	(7,857)	
Changes in other post employment benefits	<u>(39,181)</u>	(47,038)

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.

2,087,073

Pension Expense

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

88,247

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.

(327,828)

Change in net position of governmental activities, after extraordinary items \$ 5,377,812

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

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

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

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

CITY OF HIGHLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Governmental Activities - Internal Service Funds
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 4,510,328
Receivables:	
Accounts receivable	78,461
Interest receivable	3,029
Due from other funds	384,005
	4,975,823
TOTAL ASSETS	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	20,825
Accrued liabilities	4,300
Claims payable	59,307
TOTAL CURRENT LIABILITIES	84,432
LONG-TERM LIABILITIES:	
Claims payable	84,693
TOTAL LONG-TERM LIABILITIES	84,693
TOTAL LIABILITIES	169,125
NET POSITION:	
Unrestricted	4,806,698
TOTAL NET POSITION	\$ 4,806,698

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Governmental Activities - Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 251,745
Miscellaneous	8,220
	<hr/>
TOTAL OPERATING REVENUES	259,965
	<hr/>
OPERATING EXPENSES:	
Salaries and benefits	77,357
Insurance premiums	119,579
Claims and judgements	11,696
Legal fees	40,908
Administrative expenses	339,693
Insurance adjusting fees	10,825
	<hr/>
TOTAL OPERATING EXPENSES	600,058
	<hr/>
OPERATING LOSS	(340,093)
	<hr/>
NONOPERATING REVENUES:	
Investment income	12,265
	<hr/>
TOTAL NONOPERATING REVENUES	12,265
	<hr/>
CHANGE IN NET POSITION	(327,828)
	<hr/>
TOTAL NET POSITION - BEGINNING OF YEAR	5,134,526
	<hr/>
TOTAL NET POSITION - END OF YEAR	\$ 4,806,698
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	\$ 261,468
Cash payments to employees for services	(131,330)
Cash payments made to suppliers/vendors	(468,584)
	<u>(338,446)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(338,446)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash loaned to other funds	(384,005)
	<u>(384,005)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(384,005)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	11,931
	<u>11,931</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,931</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(710,520)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,220,848</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,510,328</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (340,093)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) decrease in accounts receivable	1,503
Increase (decrease) in accounts payable	4,515
Increase (decrease) in accrued liabilities	249
Increase (decrease) in claims payable	(4,620)
	<u>1,647</u>
Total Adjustments	<u>1,647</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (338,446)</u>

See accompanying notes to basic financial statements.

FIDUCIARY FUNDS

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

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

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

CITY OF HIGHLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund	Agency Fund
	<u>Fund</u>	<u>Fund</u>
ASSETS:		
Cash and investments	\$ 21,316,807	\$ -
Restricted cash and investments:		
Cash and investments with fiscal agent	3,777,746	2,693,388
Interest receivable	2,015	-
	<u>25,096,568</u>	<u>\$ 2,693,388</u>
TOTAL ASSETS		
LIABILITIES:		
Accounts payable	728,681	\$ -
Accrued liabilities	3,113	-
Accrued interest payable	324,205	-
Retention payable	200,907	-
Advance from City of Highland	1,900,000	-
Held for bondholders	-	2,693,388
Long-term liabilities:		
Due within one year	1,220,000	-
Due in more than one year	52,044,558	-
	<u>56,421,464</u>	<u>\$ 2,693,388</u>
TOTAL LIABILITIES		
NET POSITION HELD IN TRUST	<u>\$ (31,324,896)</u>	

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2015

	Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 4,688,446
Investment income	17,881
Miscellaneous	80
	<hr/>
TOTAL ADDITIONS	4,706,407
	<hr/>
DEDUCTIONS:	
Program expenses	215,983
Capital contributions to City of Highland	7,756,670
Interest	3,667,970
Debt issuance costs	425,449
Residual payment to county auditor controller	60,659
	<hr/>
TOTAL DEDUCTIONS	12,126,731
	<hr/>
CHANGE IN NET POSITION	(7,420,324)
NET POSITION - BEGINNING OF YEAR	<hr/> (23,904,572)
NET POSITION - END OF YEAR	<hr/> <u>\$ (31,324,896)</u>

See accompanying notes to basic financial statements.



CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of Reporting Entity (Continued):

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

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

B. Basis of Accounting and Measurement Focus:

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

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

Government-wide Financial Statements:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Government-wide Financial Statements (Continued):

Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included amount program revenues are reported instead as *general revenues*.

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

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

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Financial Statements:

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

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

Governmental Funds:

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

Sales taxes, property taxes, franchise taxes, motor vehicle in lieu, transient occupancy taxes, grant and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received from the government.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Funds (Continued):

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

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

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet in spite of their spending measurement focus. 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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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, 2015.

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

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

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Proprietary and Fiduciary Funds:

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of City's internal service funds are charges for services. Operating expenses for the City's internal service funds include the cost of insurance, salaries and benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Fund Classifications (Continued):

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

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

Grants Special Revenue Fund - This fund is used to account for any 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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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:

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$3,513,889.

GASB No. 69 - "Government Combinations and Disposals of Government Operations" was required to be implemented in the current fiscal year and 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 72 - "*Fair Value Measurement and Application*", effective for periods beginning after Jun 15, 2015.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued):

- GASB 73 - “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, effective for the periods beginning after June 15, 2016.
- GASB 75 - “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, effective for periods beginning after June 15, 2017.
- GASB 76 - “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, effective for periods beginning after June 15, 2015.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category. The first item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions for the changes in employer’s proportion and differences between employer’s contributions and the employer’s proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item is unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

F. Net Position Flow Assumption:

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

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

G. Cash and Investments:

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

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

H. Advances to Successor Agency:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Capital Assets:

Capital assets (including additions to infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair 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 statement of net position.

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

Buildings and improvements	20 - 50 years
Equipment, furniture, 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

J. Compensated Absences:

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

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Claims and Judgments:

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

L. Interfund Transactions:

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

M. Inventory and Prepaid Items:

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

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

N. Pensions:

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

O. Post-Employment Benefits:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2015 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of <u>Net Position</u>	Fiduciary Funds Statement of <u>Net Position</u>	<u>Total</u>
Cash and investments	\$ 35,899,248	\$ 21,316,807	\$ 57,216,055
Restricted cash and investments:			
Cash and investments with fiscal agent	<u>23,432</u>	<u>6,471,134</u>	<u>6,494,566</u>
Total Cash and Investments	<u>\$ 35,922,680</u>	<u>\$ 27,787,941</u>	<u>\$ 63,710,621</u>

Cash and investments at June 30, 2015 consisted of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	7,476,920
Investments	<u>56,232,551</u>
Total Cash and Investments	<u>\$ 63,710,621</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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.

<u>Investment Types Authorized by State Law</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee, subject to certain additional restrictions in the debt agreements. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>		<u>Total</u>
	<u>1 to 3 Months</u>	<u>More than 60 Months</u>	
California Asset Management			
Program (CAMP) - City	\$ 4,414,875	\$ -	\$ 4,414,875
CAMP - Successor Agency	13,501,199	-	13,501,199
LAIF - City	28,972,010	-	28,972,010
LAIF - Successor Agency	2,849,901	-	2,849,901
Held by bond fiscal agent:			
Money market mutual funds:			
City	23,432	-	23,432
Successor Agency	3,777,746	-	3,777,746
CFD	1,713,388	-	1,713,388
Investment contracts - CFD	980,000	-	980,000
Total	<u>\$ 56,232,551</u>	<u>\$ -</u>	<u>\$ 56,232,551</u>

Disclosures Relating to Credit Risk:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Investment Type	Total as of June 30, 2015	Minimum Legal Rating	AAA	Not Rated
CAMP - City	\$ 4,414,875	N/A	\$ 4,414,875	\$ -
CAMP - Successor Agency	13,501,199	N/A	13,501,199	-
LAIF - City	28,972,010	N/A	-	28,972,010
LAIF - Successor Agency	2,849,901	N/A	-	2,849,901
Held by bond fiscal agent:				
Money market mutual funds:				
City	23,432	A	-	23,432
Successor Agency	3,777,746	A	-	3,777,746
CFD	1,713,388	A	-	1,713,388
Investment contracts - CFD	<u>980,000</u>	N/A	-	<u>980,000</u>
Total	<u>\$ 56,232,551</u>		<u>\$ 17,916,074</u>	<u>\$ 38,316,477</u>

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, 2015, the City and the Successor Agency deposits (bank balances) were either insured by the Federal Depository Insurance Corporation or were collateralized under California Law.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances as of June 30, 2015, is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 513,754
	Major Grants Special Revenue Fund	5,285,001
	Other Governmental Funds	1,612,685
Fire Department Special Revenue Fund	Major Grants Special Revenue Fund	445,000
General Capital Financing Capital Projects Fund	Major Grants Special Revenue Fund	1,615,000
Other Governmental Funds	Major Grants Special Revenue Fund	672,000
Internal Service Funds	Major Grants Special Revenue Fund	384,005
		<u>\$ 10,527,445</u>

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, 2015, consisted of the following:

<u>Transfer Out of Fund</u>	<u>Transfers In to Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 27,683
	General Capital Financing Capital Projects Fund (A)	1,686,087
Fire Department Special Revenue Fund	Other Governmental Funds (B) General Fund	843,005 10,000
Grants Special Revenue Fund	General Capital Financing Capital Projects Fund(C)	945,413
Other Governmental Funds	General Fund	10,000
		<u>\$ 3,522,188</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. INTERFUND TRANSFERS:

- (A) The General Fund transferred \$1,686,087 for future capital projects to General Capital Financing Capital Projects Fund.
- (B) The Fire Department Special Revenue Fund transferred \$843,005 to the Paramedic Department Special Revenue Fund to fund a shortage of medic tax revenue.
- (C) The Grants Special Revenue Fund transferred \$945,413 to General Capital Financing Capital Projects Fund to reimburse grant funded capital projects.

5. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance at July 1, 2014 (As Restated)	Additions	Deletions	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 4,230,405	\$ 300,475	\$ -	\$ -	\$ 4,530,880
Rights of way	86,675,312	-	-	127,216	86,802,528
Construction in progress	<u>17,767,602</u>	<u>10,906,696</u>	<u>(2,961,996)</u>	<u>(18,925,491)</u>	<u>6,786,811</u>
Total capital assets, not being depreciated	<u>108,673,319</u>	<u>11,207,171</u>	<u>(2,961,996)</u>	<u>(18,798,275)</u>	<u>98,120,219</u>
Capital assets, being depreciated:					
Buildings and improvements	39,984,527	-	-	-	39,984,527
Equipment, furniture and software	3,669,419	166,835	-	-	3,836,254
Vehicles	2,505,525	-	-	-	2,505,525
Infrastructure - road system	97,686,075	2,864,053	(927,958)	17,078,849	116,701,019
Infrastructure - storm drains	<u>13,228,699</u>	<u>278,787</u>	<u>(106,108)</u>	<u>1,719,426</u>	<u>15,120,804</u>
Total capital assets, being depreciated	<u>157,074,245</u>	<u>3,309,675</u>	<u>(1,034,066)</u>	<u>18,798,275</u>	<u>178,148,129</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,266,709)	(1,239,062)	-	-	(10,505,771)
Equipment, furniture and software	(1,539,692)	(339,475)	-	-	(1,879,167)
Vehicles	(929,876)	(109,932)	-	-	(1,039,808)
Infrastructure - road system	(42,729,258)	(2,836,405)	686,229	-	(44,879,434)
Infrastructure - storm drains	<u>(2,149,007)</u>	<u>(186,269)</u>	<u>10,143</u>	<u>-</u>	<u>(2,325,133)</u>
Total accumulated depreciation	<u>(56,614,542)</u>	<u>(4,711,143)</u>	<u>696,372</u>	<u>-</u>	<u>(60,629,313)</u>
Total capital assets, being depreciated, net	<u>100,459,703</u>	<u>(1,401,468)</u>	<u>(337,694)</u>	<u>18,798,275</u>	<u>177,518,816</u>
Total governmental activities capital assets, net	<u>\$ 209,133,022</u>	<u>\$ 9,805,703</u>	<u>\$ (3,299,690)</u>	<u>\$ -</u>	<u>\$ 215,639,035</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

5. CAPITAL ASSETS (CONTINUED):

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

Governmental activities:	
General government	\$ 146,181
Highways and streets	4,027,672
Public safety	<u>537,290</u>
 Total	 <u>\$ 4,711,143</u>

6. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance at July 1, 2014 <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2015	Due Within One Year	Due in More Than One Year
Other Liabilities:						
Claims payable (Note 9)	\$ 148,620	\$ 11,696	\$ (16,316)	\$ 144,000	\$ 27,141	\$ 116,859
Compensated absences	536,732	177,383	(169,526)	544,590	78,838	465,751
Other post-employment benefits (Note 7)	266,718	55,781	(16,600)	305,899	-	305,899
Net pension liability (Note 8B)	<u>3,877,571</u>	<u>293,858</u>	<u>(1,124,261)</u>	<u>3,047,168</u>	<u>-</u>	<u>3,047,168</u>
 Total	 <u>\$ 4,829,641</u>	 <u>\$ 538,718</u>	 <u>\$ (1,326,703)</u>	 <u>\$ 4,041,656</u>	 <u>\$ 105,979</u>	 <u>\$ 3,935,677</u>

Claims Payable:

The City retains the risk of loss for general liability and workers' compensation claims as described in Note 9. These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2015 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, 2015 for general liability amounted to \$144,000 and for workers' compensation was \$0.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

6. LONG-TERM LIABILITIES (CONTINUED):

Compensated Absences:

The City's policies relating to compensated absences are described in Note 1J. This liability, to be paid in future years primarily from the general fund, at June 30, 2015 is \$544,590.

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	<u>25</u>
Total	<u>31</u>

City's Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2014-15, 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, 2015 was \$54,003 and was determined as part of an actuarial valuation dated July 1, 2012.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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	10,669
Adjustment to annual required contribution	<u>(8,891)</u>
Annual OPEB cost (expense)	55,781
Actual contributions made	<u>(16,600)</u>
Change in net OPEB obligation	39,181
Net OPEB Obligation - beginning of year	<u>266,718</u>
 Net OPEB Obligation - end of year	 <u>\$ 305,899</u>

The net OPEB obligation of \$305,899 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, 2015 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)
6/30/13	\$ 54,003	\$ 13,800	25.55%	\$ 225,611
6/30/14	55,507	14,400	26.67%	266,718
6/30/15	55,781	16,600	29.76%	305,899

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%.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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. PENSION PLANS:

A. General Information about the Pension Plans:

Plan Descriptions:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

A. General Information about the Pension Plans (Continued):

Benefits Provided:

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

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or After</u> <u>January 1, 2013</u>
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.70%
Required employer contribution rates	16.571%	6.50%

Contributions:

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ <u>3,047,168</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	.11834 %
Proportion - June 30, 2014	.12329 %
Change - Increase (Decrease)	.00495 %

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

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

For the year ended June 30, 2015, the City recognized pension expense of \$307,039. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 395,286	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	22,801	-
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(796,561)</u>
Total	<u>\$ 418,087</u>	<u>\$ (796,561)</u>

\$395,286 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ (190,998)
2017	(190,998)
2018	(192,626)
2019	(199,138)
2020	-
Thereafter	-

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

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

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

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

Discount Rate (Continued):

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0 %	5.25 %	5.71 %
Global Fixed Income	19.0 %	0.99 %	2.43 %
Inflation Sensitive	6.0 %	0.45 %	3.36 %
Private Equity	12.0 %	6.83 %	6.95 %
Real Estate	11.0 %	4.50 %	5.13 %
Infrastructure and Forestland	3.0 %	4.50 %	5.09 %
Liquidity	2.0 %	(0.55)%	(1.05)%
Total	100.0 %		

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

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

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

8. PENSION PLANS (CONTINUED):

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

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

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

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 4,989,864
Current Discount Rate	7.50%
Net Pension Liability	\$ 3,047,168
1% Increase	8.50%
Net Pension Liability	\$ 1,434,916

Pension Plans Fiduciary Net Position

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

C. Payable to the Pension Plans:

At June 30, 2015, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

9. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage.

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

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

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

9. RISK MANAGEMENT (CONTINUED):

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, 2015 were as follows:

Workers' compensation claims	\$ -
General liability claims	<u>144,000</u>
Total	<u>\$ 144,000</u>

Changes in the claims liability amounts were:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
6/30/14	\$ 140,999	\$ 61,121	\$ (53,500)	\$ 148,620
6/30/15	148,620	11,696	(16,316)	144,000

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, 2015, the amount outstanding was \$4,665,000.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

10. DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT (CONTINUED):

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, 2015, the amount outstanding was \$1,015,000.

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, 2015, the following funds had deficit fund balances:

Major Fund:	
Major Grants Special Revenue Fund	\$ (8,016,295)
Other Governmental Funds:	
Article 3 Special Revenue Fund	(121,774)
CDBG Special Revenue Fund	(27,993)
Street Light District Special Revenue Fund	(915,845)
FEMA Special Revenue Fund	(499,002)

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

12. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

Deficit Fund Balances (Continued):

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

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

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

Street Light District Special Revenue Fund – The City is looking at purchasing the system from Southern California Edison. This will reduce the expenditures going forward. The City is also looking at transferring funds from another fund to make up the deficit.

FEMA Special Revenue Fund – The City is waiting to receive these funds from FEMA. The City was informed in 2011 that it may take several years.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2015 were as follows:

	Special Revenue Funds					Capital Projects Fund	Other Governmental Funds
	General	Measure I	Fire		Major	General	
			Department	Grants	Grants	Capital	
						Financing	
Nonspendable:							
Inventory and prepaid items	\$ 8,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans receivable	130,000	-	-	-	-	945,413	-
Advance to Successor Agency	1,040,000	-	-	-	-	480,000	-
Restricted:							
Public safety	-	-	6,596,496	98,874	-	-	3,598,811
Highways and street projects	-	6,945,095	-	-	-	-	7,401,128
Parks and recreation	-	-	-	-	-	-	100,342
Low and moderate income housing	-	-	-	-	-	-	696,480
Other purposes	-	-	-	-	-	-	249,065
Assigned:							
Public safety:							
Vehicle replacement	275,000	-	-	-	-	-	-
Equipment replacement	200,000	-	-	-	-	-	-
Public safety enhancement	200,000	-	-	-	-	-	-
Other purposes:							
Compensated absences	544,589	-	-	-	-	-	-
Capital projects	80,620	-	-	-	-	4,424,764	-
Technical enhancements	300,000	-	-	-	-	-	-
Service enhancements	2,101,293	-	-	-	-	-	-
City Hall	200,000	-	-	-	-	-	-
Fire Facilities	1,300,000	-	-	-	-	1,750,000	-
Public improvements	-	-	-	-	-	2,288,000	-
Unassigned	<u>2,102,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,016,295)</u>	<u>-</u>	<u>(1,564,614)</u>
	<u>\$ 8,482,611</u>	<u>\$ 6,945,095</u>	<u>\$ 6,596,496</u>	<u>\$ 98,874</u>	<u>\$ (8,016,295)</u>	<u>\$ 9,888,177</u>	<u>\$ 10,481,212</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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, 2015, was as follows:

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

The advances from the General Fund and General Capital Financing 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)).

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due Within One Year	Due in More Than One Year
Bonds Payable:						
2004A Tax Allocation						
Bonds	\$ 14,840,000	\$ -	\$(14,840,000)	\$ -	\$ -	\$ -
2004B Tax Allocation						
Refunding Bonds	2,340,000	-	(165,000)	2,175,000	170,000	2,005,000
2007 Tax Allocation						
Bonds	38,445,000	-	(840,000)	37,605,000	870,000	36,735,000
2015A Tax Allocation						
Bonds	-	12,340,000	-	12,340,000	180,000	12,160,000
Premium	-	1,162,230	(17,672)	1,144,558	-	1,144,558
Total	\$ 55,625,000	\$ 13,502,230	\$(15,862,672)	\$ 53,264,558	\$ 1,220,000	\$ 52,044,558

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. During the year the funds were refunded by the Tax Allocation Refunding Bonds Series 2015 A.

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

2004B Tax Allocation Refunding Bonds (Continued):

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

At June 30, 2015, the outstanding balance of the bonds was \$2,175,000.

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, 2015 unspent bond proceeds specifically set aside for these capital asset/infrastructure projects that remains unspent is \$11,527,969.

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

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

Per the terms of the bond indenture, a reserve of \$3,338,000 is required to be maintained. At June 30, 2015, the reserve was fully funded, and the outstanding balance of the bonds was \$37,605,000.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

2015A Tax Allocation Bonds:

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

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

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

At June 30, 2015, the outstanding balance of the bonds was \$12,430,000.

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
2016	\$ 1,220,000	\$ 2,533,205	\$ 3,753,205
2017	1,410,000	2,324,195	3,734,195
2018	1,460,000	2,261,670	3,721,670
2019	1,535,000	2,193,391	3,728,391
2020	1,600,000	2,123,104	3,723,104
2021 - 2025	9,220,000	9,371,464	18,591,464
2026 - 2030	11,380,000	6,911,144	18,291,144
2031 - 2035	14,255,000	3,987,400	18,242,400
2036 - 2038	10,040,000	730,313	10,770,313
Totals	<u>\$ 52,120,000</u>	<u>\$ 32,435,886</u>	<u>\$ 84,555,886</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

The DOF issued a Finding of Completion on May 24, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. The Finding of Completion allowed the placement of loan agreements between the former redevelopment agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. Loan repayments could begin in the 2014-15 fiscal year as governed by the criteria in the health and code safety section. The oversight board adopted Resolution No. OBSARDA 2013-003 which amended and restated the cooperation agreement between the City and the former RDA 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, 2015, the long-term advances to the Successor Agency totaled \$1,900,000. In the financial statements, 80 percent of the advance and related interest are reported in the General Fund and General Capital Financing Capital Projects Fund, and 20% in the Housing Authority Special Revenue Fund.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency. The State Controller has completed its review on August 18, 2014 and did not identify unallowable of transfers of assets that occurred during the audit 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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

16. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:

Restatement of the Governmental Activities' net position as of July 1, 2014, is as follows:

Net position at July 1, 2014, as originally reported	\$ 259,537,636
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(3,513,889)
Increase capital assets for prior year expenditures not capitalized	3,746,577
Decrease capital assets for depreciation not recorded in prior years	<u>(3,859,190)</u>
Net position at July 1, 2014, as restated	<u>\$ 255,911,134</u>

17. SUBSEQUENT EVENTS:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 12, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	<u>2015</u>
Plan's proportion of the net pension liability	0.12329%
Plan's proportionate share of the net pension liability	\$ 3,047,168
Plan's covered - employee payroll	\$ 3,024,508
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	100.75%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	79.19%
Plan's proportionate share of aggregate employer contributions	\$ 313,594

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF HIGHLAND
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

	2015
Contractually required contribution (actuarially determined)	\$ 395,286
Contributions in relation to the actuarially determined contributions	(395,286)
Contribution deficiency (excess)	\$ -
Covered - employee payroll	\$ 3,024,508
Contributions as a percentage of covered - employee payroll	13.07%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	19 years as of valuation date
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	2%@55 and 2%@60
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF HIGHLAND

SCHEDULE OF FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2015

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%

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND

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

SPECIAL REVENUE FUNDS

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

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

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

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

CITY OF HIGHLAND

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 3,520,000	\$ 3,520,000	\$ 3,118,322	\$ (401,678)
Unsecured property taxes	-	-	131,374	131,374
In-lieu sales tax	535,000	535,000	602,203	67,203
Other property taxes	-	-	126,373	126,373
Sales and use tax	1,668,630	1,668,630	1,682,344	13,714
Extraction tax	175,000	175,000	387,654	212,654
In-lieu motor vehicle license fees	3,780,000	3,780,000	4,076,927	296,927
Transient occupancy tax	210,000	210,000	264,628	54,628
Franchise fees	1,506,500	1,506,500	1,561,126	54,626
Property transfer tax	90,000	90,000	103,223	13,223
Total taxes	<u>11,485,130</u>	<u>11,485,130</u>	<u>12,054,174</u>	<u>569,044</u>
Licenses and permits:				
Building permits	515,000	515,000	463,792	(51,208)
Miscellaneous permits	62,000	62,000	69,546	7,546
Total licenses and permits	<u>577,000</u>	<u>577,000</u>	<u>533,338</u>	<u>(43,662)</u>
Intergovernmental:				
Motor vehicle license fees	-	-	22,143	22,143
Grants	94,500	94,500	67,328	(27,172)
Total intergovernmental	<u>94,500</u>	<u>94,500</u>	<u>89,471</u>	<u>(5,029)</u>
Charges for services:				
Business license fees	152,000	152,000	274,256	122,256
Planning fees	400,000	400,000	306,630	(93,370)
Engineering fees	250,000	250,000	127,718	(122,282)
Other charges	329,000	329,000	299,475	(29,525)
Total charges for services	<u>1,131,000</u>	<u>1,131,000</u>	<u>1,008,079</u>	<u>(122,921)</u>
Fines and forfeitures	88,000	88,000	91,294	3,294
Investment income	15,000	15,000	948,871	933,871
Miscellaneous	142,000	142,000	309,537	167,537
TOTAL REVENUES	<u>13,532,630</u>	<u>13,532,630</u>	<u>15,034,764</u>	<u>1,502,134</u>

See accompanying note to required supplementary information.

(Continued)

CITY OF HIGHLAND

Budgetary Comparison Schedule (Continued)
General Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
General government:				
City Council	\$ 164,040	\$ 164,040	\$ 160,395	\$ 3,645
City Clerk	297,605	297,605	246,492	51,113
General government	706,190	706,190	724,146	(17,956)
Personnel	72,625	72,625	45,784	26,841
Finance	527,375	527,375	427,303	100,072
Engineering	452,325	452,325	452,285	40
Planning	788,020	939,457	831,256	108,201
Public services	451,980	451,980	364,938	87,042
Building and safety	536,185	536,185	403,426	132,759
Code enforcement	386,610	478,110	441,450	36,660
Parks	1,077,950	1,077,950	981,881	96,069
Graffiti	109,360	109,360	93,298	16,062
Community volunteer services	103,180	103,180	65,735	37,445
Trails	8,500	8,500	4,634	3,866
Total general government	<u>5,681,945</u>	<u>5,924,882</u>	<u>5,243,023</u>	<u>681,859</u>
Public safety:				
Police department	7,753,580	7,873,580	7,678,608	194,972
Animal control	446,215	446,215	415,987	30,228
Total public safety	<u>8,199,795</u>	<u>8,319,795</u>	<u>8,094,595</u>	<u>225,200</u>
TOTAL EXPENDITURES	<u>13,881,740</u>	<u>14,244,677</u>	<u>13,337,618</u>	<u>907,059</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(349,110)</u>	<u>(712,047)</u>	<u>1,697,146</u>	<u>2,409,193</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	270,000	270,000	20,000	(250,000)
Transfers out	<u>(1,814,095)</u>	<u>(1,814,095)</u>	<u>(1,713,770)</u>	<u>100,325</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,544,095)</u>	<u>(1,544,095)</u>	<u>(1,693,770)</u>	<u>(149,675)</u>
NET CHANGE IN FUND BALANCE	(1,893,205)	(2,256,142)	3,376	2,259,518
FUND BALANCE - BEGINNING OF YEAR	<u>8,479,235</u>	<u>8,479,235</u>	<u>8,479,235</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,586,030</u>	<u>\$ 6,223,093</u>	<u>\$ 8,482,611</u>	<u>\$ 2,259,518</u>

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Measure I Special Revenue Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 925,000	\$ 925,000	\$ 859,640	\$ (65,360)
Investment income	12,500	12,500	17,304	4,804
TOTAL REVENUES	937,500	937,500	876,944	(60,556)
EXPENDITURES:				
Current:				
Highways and streets	281,000	281,000	227,857	53,143
Capital outlay	1,694,000	1,694,000	998,972	695,028
TOTAL EXPENDITURES	1,975,000	1,975,000	1,226,829	748,171
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,037,500)	(1,037,500)	(349,885)	687,615
FUND BALANCE - BEGINNING OF YEAR	7,294,980	7,294,980	7,294,980	-
FUND BALANCE - END OF YEAR	<u>\$ 6,257,480</u>	<u>\$ 6,257,480</u>	<u>\$ 6,945,095</u>	<u>\$ 687,615</u>

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Fire Department Special Revenue Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 2,507,000	\$ 2,507,000	\$ 2,364,896	\$ (142,104)
Licenses and permits	50,000	50,000	28,605	(21,395)
Intergovernmental	95,000	95,000	217,073	122,073
Charges for services	443,400	443,400	437,484	(5,916)
Investment income	15,000	15,000	13,305	(1,695)
TOTAL REVENUES	3,110,400	3,110,400	3,061,363	(49,037)
EXPENDITURES:				
Current:				
General government	130,750	140,750	135,097	5,653
Public safety	2,269,065	2,313,590	2,211,079	102,511
Capital outlay	-	-	84,350	(84,350)
TOTAL EXPENDITURES	2,399,815	2,454,340	2,430,526	23,814
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	710,585	656,060	630,837	(25,223)
OTHER FINANCING USES:				
Transfers out	(1,087,230)	(1,119,845)	(853,005)	266,840
TOTAL OTHER FINANCING USES	(1,087,230)	(1,119,845)	(853,005)	266,840
NET CHANGE IN FUND BALANCE	(376,645)	(463,785)	(222,168)	241,617
FUND BALANCE - BEGINNING OF YEAR	6,818,664	6,818,664	6,818,664	-
FUND BALANCE - END OF YEAR	\$ 6,442,019	\$ 6,354,879	\$ 6,596,496	\$ 241,617

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,664,000	\$ 1,664,000	\$ 2,377,696	\$ 713,696
Investment income	-	-	734	734
TOTAL REVENUES	<u>1,664,000</u>	<u>1,664,000</u>	<u>2,378,430</u>	<u>714,430</u>
EXPENDITURES:				
Current:				
Highways and streets	1,010,000	1,010,000	279,271	730,729
Capital outlay	<u>2,261,000</u>	<u>2,261,000</u>	<u>2,811,868</u>	<u>(550,868)</u>
TOTAL EXPENDITURES	<u>3,271,000</u>	<u>3,271,000</u>	<u>3,091,139</u>	<u>179,861</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,607,000)</u>	<u>(1,607,000)</u>	<u>(712,709)</u>	<u>894,291</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>945,413</u>	<u>945,413</u>	<u>945,413</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>945,413</u>	<u>945,413</u>	<u>945,413</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(661,587)	(661,587)	232,704	894,291
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(133,830)</u>	<u>(133,830)</u>	<u>(133,830)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (795,417)</u>	<u>\$ (795,417)</u>	<u>\$ 98,874</u>	<u>\$ 894,291</u>

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Major Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 444,000	\$ 444,000	\$ 1,124,950	\$ 680,950
TOTAL REVENUES	<u>444,000</u>	<u>444,000</u>	<u>1,124,950</u>	<u>680,950</u>
EXPENDITURES:				
Current:				
Highways and streets	-	-	13,138	(13,138)
Capital outlay	<u>3,430,500</u>	<u>3,430,500</u>	<u>3,413,507</u>	<u>16,993</u>
TOTAL EXPENDITURES	<u>3,430,500</u>	<u>3,430,500</u>	<u>3,426,645</u>	<u>3,855</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,986,500)	(2,986,500)	(2,301,695)	684,805
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(5,714,600)</u>	<u>(5,714,600)</u>	<u>(5,714,600)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (8,701,100)</u></u>	<u><u>\$ (8,701,100)</u></u>	<u><u>\$ (8,016,295)</u></u>	<u><u>\$ 684,805</u></u>

See accompanying note to required supplementary information.

CITY OF HIGHLAND

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

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 \$9,525,362 for supplemental appropriations during the year ended June 30, 2015.

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

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

OTHER GOVERNMENTAL FUNDS (CONTINUED)

Special Revenue Funds (Continued)

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

CITY OF HIGHLAND

COMBINING BALANCE SHEET
ALL OTHER GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue Funds	Community Facilities Districts Capital Projects Fund	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 11,235,695	\$ 28,069	\$ 11,263,764
Restricted cash and investments:			
Cash and investments with fiscal agent	-	23,432	23,432
Receivables:			
Accounts	61,485	6,782	68,267
Interest	3,886	-	3,886
Property taxes	17,135	6,675	23,810
Loans	695,728	-	695,728
Due from other governments	887,467	-	887,467
Due from other funds	672,000	-	672,000
Advance to Successor Agency	380,000	-	380,000
TOTAL ASSETS	\$ 13,953,396	\$ 64,958	\$ 14,018,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 324,257	\$ 41,526	\$ 365,783
Accrued liabilities	24,712	-	24,712
Retention payable	72,650	-	72,650
Due to other funds	1,612,685	-	1,612,685
TOTAL LIABILITIES	2,034,304	41,526	2,075,830
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	1,461,312	-	1,461,312
TOTAL DEFERRED INFLOWS OF RESOURCES	1,461,312	-	1,461,312
FUND BALANCES:			
Restricted	12,022,394	23,432	12,045,826
Unassigned	(1,564,614)	-	(1,564,614)
TOTAL FUND BALANCES	10,457,780	23,432	10,481,212
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,953,396	\$ 64,958	\$ 14,018,354

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds	Community Facilities Districts Capital Projects Fund	Total Other Governmental Funds
REVENUES:			
Taxes	\$ 1,037,810	\$ -	\$ 1,037,810
Intergovernmental	1,915,245	-	1,915,245
Charges for services	122,438	-	122,438
Fines and forfeitures	146,012	-	146,012
Investment income	26,081	-	26,081
Rental income	121,961	-	121,961
Miscellaneous	9,755	6,782	16,537
TOTAL REVENUES	<u>3,379,302</u>	<u>6,782</u>	<u>3,386,084</u>
EXPENDITURES:			
Current:			
General government	211,942	42,121	254,063
Highways and streets	2,714,092	-	2,714,092
Public safety	1,488,274	-	1,488,274
Capital outlay	865,322	-	865,322
TOTAL EXPENDITURES	<u>5,279,630</u>	<u>42,121</u>	<u>5,321,751</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,900,328)</u>	<u>(35,339)</u>	<u>(1,935,667)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	870,688	-	870,688
Transfers out	(10,000)	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>860,688</u>	<u>-</u>	<u>860,688</u>
NET CHANGE IN FUND BALANCES	<u>(1,039,640)</u>	<u>(35,339)</u>	<u>(1,074,979)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>11,497,420</u>	<u>58,771</u>	<u>11,556,191</u>
FUND BALANCES - END OF YEAR	<u>\$ 10,457,780</u>	<u>\$ 23,432</u>	<u>\$ 10,481,212</u>



CITY OF HIGHLAND
 COMBINING BALANCE SHEET
 Other Governmental Special Revenue Funds

June 30, 2015

	Traffic Safety	Gas Tax	Article 3
ASSETS			
Cash and investments	\$ 233,296	\$ 2,791,500	\$ -
Receivables:			
Accounts	-	-	-
Interest	165	578	-
Property taxes	-	-	-
Loans	-	-	-
Due from other governments	6,515	-	121,774
Due from other funds	422,000	-	-
Advance to Successor Agency	-	-	-
	<u>\$ 661,976</u>	<u>\$ 2,792,078</u>	<u>\$ 121,774</u>
TOTAL ASSETS	<u>\$ 661,976</u>	<u>\$ 2,792,078</u>	<u>\$ 121,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 138,523	\$ 60,119	\$ 3,699
Accrued liabilities	-	18,805	-
Retention payable	8,573	-	-
Due to other funds	-	-	118,075
	<u>147,096</u>	<u>78,924</u>	<u>121,774</u>
TOTAL LIABILITIES	<u>147,096</u>	<u>78,924</u>	<u>121,774</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	-	121,774
	<u>-</u>	<u>-</u>	<u>121,774</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>121,774</u>
FUND BALANCES (DEFICITS):			
Restricted for:			
Public safety	514,880	-	-
Highways and streets	-	2,713,154	-
Parks and recreation	-	-	-
Low and moderate income housing	-	-	-
Other purposes	-	-	-
Unassigned	-	-	(121,774)
	<u>514,880</u>	<u>2,713,154</u>	<u>(121,774)</u>
TOTAL FUND BALANCES (DEFICITS)	<u>514,880</u>	<u>2,713,154</u>	<u>(121,774)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 661,976</u>	<u>\$ 2,792,078</u>	<u>\$ 121,774</u>

CDBG	Development Impact Fees	Developer Fees	Landscape Maintenance District	Street Light District	Community Trails District
\$ -	\$ 3,877,936	\$ 3,063,590	\$ 263,900	\$ -	\$ 292
120	-	-	-	-	-
-	917	1,969	94	-	-
-	-	-	3,286	5,844	133
-	-	-	-	-	-
125,754	16	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 125,874</u>	<u>\$ 3,878,869</u>	<u>\$ 3,065,559</u>	<u>\$ 267,280</u>	<u>\$ 5,844</u>	<u>\$ 425</u>
\$ 2,319	\$ -	\$ 2,707	\$ 18,215	\$ 44,495	\$ -
5,141	-	292	-	-	-
-	55,204	8,873	-	-	-
118,414	-	-	-	877,194	-
<u>125,874</u>	<u>55,204</u>	<u>11,872</u>	<u>18,215</u>	<u>921,689</u>	<u>-</u>
<u>27,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	3,053,687	-	-	-
-	3,823,665	-	-	-	-
-	-	-	-	-	425
-	-	-	-	-	-
-	-	-	249,065	-	-
<u>(27,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(915,845)</u>	<u>-</u>
<u>(27,993)</u>	<u>3,823,665</u>	<u>3,053,687</u>	<u>249,065</u>	<u>(915,845)</u>	<u>425</u>
<u>\$ 125,874</u>	<u>\$ 3,878,869</u>	<u>\$ 3,065,559</u>	<u>\$ 267,280</u>	<u>\$ 5,844</u>	<u>\$ 425</u>

(Continued)

CITY OF HIGHLAND

COMBINING BALANCE SHEET (CONTINUED)
Other Governmental Special Revenue Funds

June 30, 2015

	Parks Maintenance District	FEMA	AQMD
ASSETS	<u> </u>	<u> </u>	<u> </u>
Cash and investments	\$ 104,877	\$ -	\$ 504,183
Receivables:			
Accounts	-	-	-
Interest	-	-	142
Property taxes	1,049	-	-
Loans	-	-	-
Due from other governments	-	615,817	17,591
Due from other funds	-	-	-
Advance to Successor Agency	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 105,926</u>	<u>\$ 615,817</u>	<u>\$ 521,916</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 6,009	\$ -	\$ 6,789
Accrued liabilities	-	-	-
Retention payable	-	-	-
Due to other funds	-	499,002	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>6,009</u>	<u>499,002</u>	<u>6,789</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	615,817	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>615,817</u>	<u>-</u>
FUND BALANCES (DEFICITS):			
Restricted for:			
Public safety	-	-	-
Highways and streets	-	-	515,127
Parks and recreation	99,917	-	-
Low and moderate income housing	-	-	-
Other purposes	-	-	-
Unassigned	-	(499,002)	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICITS)	<u>99,917</u>	<u>(499,002)</u>	<u>515,127</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	<u>\$ 105,926</u>	<u>\$ 615,817</u>	<u>\$ 521,916</u>

<u>COPS</u>	<u>Street and Strom Drain Maintenance District</u>	<u>Justice Assistance Grant</u>	<u>Paramedic Department</u>	<u>Housing Authority</u>	<u>Total Other Governmental Special Revenue Funds</u>
\$ -	\$ 324,119	\$ 30,244	\$ 36,169	\$ 5,589	\$ 11,235,695
-	-	-	-	61,365	61,485
-	21	-	-	-	3,886
-	1,610	-	5,213	-	17,135
-	-	-	-	695,728	695,728
-	-	-	-	-	887,467
-	-	-	-	250,000	672,000
-	-	-	-	380,000	380,000
<u>\$ -</u>	<u>\$ 325,750</u>	<u>\$ 30,244</u>	<u>\$ 41,382</u>	<u>\$ 1,392,682</u>	<u>\$ 13,953,396</u>
\$ -	\$ -	\$ -	\$ 41,382	\$ -	\$ 324,257
-	-	-	-	474	24,712
-	-	-	-	-	72,650
-	-	-	-	-	1,612,685
<u>-</u>	<u>-</u>	<u>-</u>	<u>41,382</u>	<u>474</u>	<u>2,034,304</u>
-	-	-	-	695,728	1,461,312
-	-	-	-	695,728	1,461,312
-	-	30,244	-	-	3,598,811
-	325,750	-	-	-	7,377,696
-	-	-	-	-	100,342
-	-	-	-	696,480	696,480
-	-	-	-	-	249,065
-	-	-	-	-	(1,564,614)
<u>-</u>	<u>325,750</u>	<u>30,244</u>	<u>-</u>	<u>696,480</u>	<u>10,457,780</u>
<u>\$ -</u>	<u>\$ 325,750</u>	<u>\$ 30,244</u>	<u>\$ 41,382</u>	<u>\$ 1,392,682</u>	<u>\$ 13,953,396</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Traffic Safety	Gas Tax	Article 3
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	1,360,230	-
Charges for services	-	-	-
Fines and forfeitures	146,012	-	-
Investment income	796	3,206	-
Rental income	-	-	-
Miscellaneous	-	5,157	-
TOTAL REVENUES	<u>146,808</u>	<u>1,368,593</u>	<u>-</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Highways and streets	-	1,367,036	28,582
Public safety	298,003	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>298,003</u>	<u>1,367,036</u>	<u>28,582</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(151,195)</u>	<u>1,557</u>	<u>(28,582)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(151,195)	1,557	(28,582)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>666,075</u>	<u>2,711,597</u>	<u>(93,192)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 514,880</u>	<u>\$ 2,713,154</u>	<u>\$ (121,774)</u>

CDBG	Development Impact Fees	Developer Fees	Landscape Maintenance District	Street Light District	Community Trails District
\$ -	\$ -	\$ -	\$ 207,960	\$ 370,129	\$ 8,420
244,818	-	-	-	-	-
-	110,643	11,795	-	-	-
-	-	-	-	-	-
-	5,440	7,703	658	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>244,818</u>	<u>116,083</u>	<u>19,498</u>	<u>208,618</u>	<u>370,129</u>	<u>8,420</u>
-	-	-	-	-	-
175,050	104,277	33,775	346,752	541,381	16,315
-	-	-	-	-	-
97,761	588,479	179,082	-	-	-
<u>272,811</u>	<u>692,756</u>	<u>212,857</u>	<u>346,752</u>	<u>541,381</u>	<u>16,315</u>
<u>(27,993)</u>	<u>(576,673)</u>	<u>(193,359)</u>	<u>(138,134)</u>	<u>(171,252)</u>	<u>(7,895)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(27,993)</u>	<u>(576,673)</u>	<u>(193,359)</u>	<u>(138,134)</u>	<u>(171,252)</u>	<u>(7,895)</u>
-	4,400,338	3,247,046	387,199	(744,593)	8,320
<u>\$ (27,993)</u>	<u>\$ 3,823,665</u>	<u>\$ 3,053,687</u>	<u>\$ 249,065</u>	<u>\$ (915,845)</u>	<u>\$ 425</u>

(Continued)

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Parks Maintenance District	FEMA	AQMD
REVENUES:			
Taxes	\$ 66,383	\$ -	\$ -
Intergovernmental	-	116,815	67,040
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	-	-	757
Rental income	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	<u>66,383</u>	<u>116,815</u>	<u>67,797</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Highways and streets	70,456	-	27,968
Public safety	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>70,456</u>	<u>-</u>	<u>27,968</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,073)</u>	<u>116,815</u>	<u>39,829</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	27,683	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>27,683</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	23,610	116,815	39,829
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>76,307</u>	<u>(615,817)</u>	<u>475,298</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 99,917</u>	<u>\$ (499,002)</u>	<u>\$ 515,127</u>

<u>COPS</u>	<u>Street and Strom Drain Maintenance District</u>	<u>Justice Assistance Grant</u>	<u>Paramedic Department</u>	<u>Housing Authority</u>	<u>Total Other Governmental Special Revenue Funds</u>
\$ -	\$ 33,399	\$ -	\$ 351,519	\$ -	\$ 1,037,810
106,251	-	20,091	-	-	1,915,245
-	-	-	-	-	122,438
-	-	-	-	-	146,012
-	218	-	-	7,303	26,081
-	-	-	-	121,961	121,961
-	-	-	-	4,598	9,755
<u>106,251</u>	<u>33,617</u>	<u>20,091</u>	<u>351,519</u>	<u>133,862</u>	<u>3,379,302</u>
-	-	-	126,453	85,489	211,942
-	2,500	-	-	-	2,714,092
106,251	-	25,949	1,058,071	-	1,488,274
-	-	-	-	-	865,322
<u>106,251</u>	<u>2,500</u>	<u>25,949</u>	<u>1,184,524</u>	<u>85,489</u>	<u>5,279,630</u>
-	31,117	(5,858)	(833,005)	48,373	(1,900,328)
-	-	-	843,005	-	870,688
-	-	-	(10,000)	-	(10,000)
-	-	-	833,005	-	860,688
-	31,117	(5,858)	-	48,373	(1,039,640)
-	294,633	36,102	-	648,107	11,497,420
<u>\$ -</u>	<u>\$ 325,750</u>	<u>\$ 30,244</u>	<u>\$ -</u>	<u>\$ 696,480</u>	<u>\$ 10,457,780</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Fines and forfeitures	\$ 200,000	\$ 146,012	\$ (53,988)
Investment income	1,500	796	(704)
	<u>201,500</u>	<u>146,808</u>	<u>(54,692)</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Public safety	552,115	298,003	254,112
	<u>552,115</u>	<u>298,003</u>	<u>254,112</u>
TOTAL EXPENDITURES			
	<u>552,115</u>	<u>298,003</u>	<u>254,112</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(350,615)	(151,195)	199,420
FUND BALANCE - BEGINNING OF YEAR	<u>666,075</u>	<u>666,075</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 315,460</u></u>	<u><u>\$ 514,880</u></u>	<u><u>\$ 199,420</u></u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,572,500	\$ 1,360,230	\$ (212,270)
Investment income	5,000	3,206	(1,794)
Miscellaneous	-	5,157	5,157
TOTAL REVENUES	<u>1,577,500</u>	<u>1,368,593</u>	<u>(208,907)</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>1,590,230</u>	<u>1,367,036</u>	<u>223,194</u>
TOTAL EXPENDITURES	<u>1,590,230</u>	<u>1,367,036</u>	<u>223,194</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,730)	1,557	14,287
FUND BALANCE - BEGINNING OF YEAR	<u>2,711,597</u>	<u>2,711,597</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,698,867</u>	<u>\$ 2,713,154</u>	<u>\$ 14,287</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>75,000</u>	<u>28,582</u>	<u>46,418</u>
TOTAL EXPENDITURES	<u>75,000</u>	<u>28,582</u>	<u>46,418</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(75,000)	(28,582)	46,418
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(93,192)</u>	<u>(93,192)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (168,192)</u></u>	<u><u>\$ (121,774)</u></u>	<u><u>\$ 46,418</u></u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 733,280	\$ 244,818	\$ (488,462)
TOTAL REVENUES	<u>733,280</u>	<u>244,818</u>	<u>(488,462)</u>
EXPENDITURES:			
Current:			
Highways and streets	213,280	175,050	38,230
Capital outlay	<u>520,000</u>	<u>97,761</u>	<u>422,239</u>
TOTAL EXPENDITURES	<u>733,280</u>	<u>272,811</u>	<u>460,469</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(27,993)	(27,993)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ (27,993)</u>	<u>\$ (27,993)</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$ 100,000	\$ 110,643	\$ 10,643
Investment income	20,000	5,440	(14,560)
TOTAL REVENUES	<u>120,000</u>	<u>116,083</u>	<u>(3,917)</u>
EXPENDITURES:			
Current:			
Highways and streets	81,000	104,277	(23,277)
Capital outlay	714,000	588,479	125,521
TOTAL EXPENDITURES	<u>795,000</u>	<u>692,756</u>	<u>102,244</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(675,000)	(576,673)	98,327
FUND BALANCE - BEGINNING OF YEAR	<u>4,400,338</u>	<u>4,400,338</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,725,338</u>	<u>\$ 3,823,665</u>	<u>\$ 98,327</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	\$ 10,000	\$ 11,795	\$ 1,795
Investment income	9,000	7,703	(1,297)
TOTAL REVENUES	19,000	19,498	498
EXPENDITURES:			
Current:			
Highways and streets	305,270	33,775	271,495
Capital outlay	-	179,082	(179,082)
TOTAL EXPENDITURES	305,270	212,857	92,413
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(286,270)	(193,359)	92,911
FUND BALANCE - BEGINNING OF YEAR	3,247,046	3,247,046	-
FUND BALANCE - END OF YEAR	\$ 2,960,776	\$ 3,053,687	\$ 92,911

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 185,000	\$ 207,960	\$ 22,960
Investment income	1,000	658	(342)
TOTAL REVENUES	<u>186,000</u>	<u>208,618</u>	<u>22,618</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>361,480</u>	<u>346,752</u>	<u>14,728</u>
TOTAL EXPENDITURES	<u>361,480</u>	<u>346,752</u>	<u>14,728</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(175,480)</u>	<u>(138,134)</u>	<u>37,346</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	(155,480)	(138,134)	17,346
FUND BALANCE - BEGINNING OF YEAR	<u>387,199</u>	<u>387,199</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 231,719</u>	<u>\$ 249,065</u>	<u>\$ 17,346</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 333,000	\$ 370,129	\$ 37,129
TOTAL REVENUES	<u>333,000</u>	<u>370,129</u>	<u>37,129</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>571,800</u>	<u>541,381</u>	<u>30,419</u>
TOTAL EXPENDITURES	<u>571,800</u>	<u>541,381</u>	<u>30,419</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(238,800)	(171,252)	67,548
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(744,593)</u>	<u>(744,593)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (983,393)</u></u>	<u><u>\$ (915,845)</u></u>	<u><u>\$ 67,548</u></u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 7,500	\$ 8,420	\$ 920
TOTAL REVENUES	<u>7,500</u>	<u>8,420</u>	<u>920</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>19,850</u>	<u>16,315</u>	<u>3,535</u>
TOTAL EXPENDITURES	<u>19,850</u>	<u>16,315</u>	<u>3,535</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,350)	(7,895)	4,455
FUND BALANCE - BEGINNING OF YEAR	<u>8,320</u>	<u>8,320</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (4,030)</u></u>	<u><u>\$ 425</u></u>	<u><u>\$ 4,455</u></u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 60,500	\$ 66,383	\$ 5,883
TOTAL REVENUES	<u>60,500</u>	<u>66,383</u>	<u>5,883</u>
EXPENDITURES:			
Current:			
Highways and streets	97,220	70,456	26,764
TOTAL EXPENDITURES	<u>97,220</u>	<u>70,456</u>	<u>26,764</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(36,720)</u>	<u>(4,073)</u>	<u>32,647</u>
OTHER FINANCING SOURCES:			
Transfers in	38,890	27,683	(11,207)
TOTAL OTHER FINANCING SOURCES	<u>38,890</u>	<u>27,683</u>	<u>(11,207)</u>
NET CHANGE IN FUND BALANCE	2,170	23,610	21,440
FUND BALANCE - BEGINNING OF YEAR	<u>76,307</u>	<u>76,307</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 78,477</u>	<u>\$ 99,917</u>	<u>\$ 21,440</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 58,000	\$ 67,040	\$ 9,040
Investment income	1,000	757	(243)
TOTAL REVENUES	<u>59,000</u>	<u>67,797</u>	<u>8,797</u>
EXPENDITURES:			
Current:			
Highways and streets	62,000	27,968	34,032
Capital outlay	<u>155,000</u>	<u>-</u>	<u>155,000</u>
TOTAL EXPENDITURES	<u>217,000</u>	<u>27,968</u>	<u>189,032</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(158,000)	39,829	197,829
FUND BALANCE - BEGINNING OF YEAR	<u>475,298</u>	<u>475,298</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 317,298</u></u>	<u><u>\$ 515,127</u></u>	<u><u>\$ 197,829</u></u>

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 100,500	\$ 106,251	\$ 5,751
TOTAL REVENUES	<u>100,500</u>	<u>106,251</u>	<u>5,751</u>
EXPENDITURES:			
Current:			
Public safety	<u>106,255</u>	<u>106,251</u>	<u>4</u>
TOTAL EXPENDITURES	<u>106,255</u>	<u>106,251</u>	<u>4</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,755)	-	5,755
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (5,755)</u>	<u>\$ -</u>	<u>\$ 5,755</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 27,500	\$ 33,399	\$ 5,899
Investment income	500	218	(282)
TOTAL REVENUES	<u>28,000</u>	<u>33,617</u>	<u>5,617</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>19,500</u>	<u>2,500</u>	<u>17,000</u>
TOTAL EXPENDITURES	<u>19,500</u>	<u>2,500</u>	<u>17,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,500	31,117	22,617
FUND BALANCE - BEGINNING OF YEAR	<u>294,633</u>	<u>294,633</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 303,133</u></u>	<u><u>\$ 325,750</u></u>	<u><u>\$ 22,617</u></u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 18,000	\$ 20,091	\$ 2,091
TOTAL REVENUES	<u>18,000</u>	<u>20,091</u>	<u>2,091</u>
EXPENDITURES:			
Current:			
Public safety	34,950	25,949	9,001
TOTAL EXPENDITURES	<u>34,950</u>	<u>25,949</u>	<u>9,001</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,950)	(5,858)	11,092
FUND BALANCE - BEGINNING OF YEAR	<u>36,102</u>	<u>36,102</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 19,152</u></u>	<u><u>\$ 30,244</u></u>	<u><u>\$ 11,092</u></u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 351,000	\$ 351,519	\$ 519
TOTAL REVENUES	<u>351,000</u>	<u>351,519</u>	<u>519</u>
EXPENDITURES:			
Current:			
General government	116,175	126,453	(10,278)
Public safety	<u>1,334,670</u>	<u>1,058,071</u>	<u>276,599</u>
TOTAL EXPENDITURES	<u>1,450,845</u>	<u>1,184,524</u>	<u>266,321</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,099,845)</u>	<u>(833,005)</u>	<u>266,840</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,109,845	843,005	(266,840)
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,099,845</u>	<u>833,005</u>	<u>(266,840)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment income	\$ 5,000	\$ 7,303	\$ 2,303
Rental income	55,000	121,961	66,961
Miscellaneous	8,280	4,598	(3,682)
TOTAL REVENUES	68,280	133,862	65,582
EXPENDITURES:			
Current:			
General government	296,855	85,489	211,366
TOTAL EXPENDITURES	296,855	85,489	211,366
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(228,575)	48,373	276,948
FUND BALANCE - BEGINNING OF YEAR	648,107	648,107	-
FUND BALANCE - END OF YEAR	<u>\$ 419,532</u>	<u>\$ 696,480</u>	<u>\$ 276,948</u>



MAJOR AND OTHER GOVERNMENTAL FUNDS

Capital Projects Funds

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

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

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

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

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment income	\$ 20,000	\$ 20,843	\$ 843
Miscellaneous	-	967,788	967,788
TOTAL REVENUES	<u>20,000</u>	<u>988,631</u>	<u>968,631</u>
EXPENDITURES:			
Current:			
General government	750,000	598,328	151,672
Capital outlay	633,730	346,985	286,745
TOTAL EXPENDITURES	<u>1,383,730</u>	<u>945,313</u>	<u>438,417</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,363,730)</u>	<u>43,318</u>	<u>1,407,048</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,035,205	1,686,087	650,882
Transfers out	(945,415)	(945,413)	2
TOTAL OTHER FINANCING SOURCES (USES)	<u>89,790</u>	<u>740,674</u>	<u>650,884</u>
NET CHANGE IN FUND BALANCE	(1,273,940)	783,992	2,057,932
FUND BALANCE - BEGINNING OF YEAR	<u>9,104,185</u>	<u>9,104,185</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,830,245</u>	<u>\$ 9,888,177</u>	<u>\$ 2,057,932</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Miscellaneous	\$ 10,600	\$ 6,782	\$ (3,818)
TOTAL REVENUES	<u>10,600</u>	<u>6,782</u>	<u>(3,818)</u>
EXPENDITURES:			
Current:			
General government	<u>45,455</u>	<u>42,121</u>	<u>3,334</u>
TOTAL EXPENDITURES	<u>45,455</u>	<u>42,121</u>	<u>3,334</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,855)	(35,339)	(484)
FUND BALANCE - BEGINNING OF YEAR	<u>58,771</u>	<u>58,771</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 23,916</u></u>	<u><u>\$ 23,432</u></u>	<u><u>\$ (484)</u></u>



INTERNAL SERVICE FUNDS

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

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

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

CITY OF HIGHLAND

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2015

	<u>Insurance</u>	<u>General Services</u>	<u>Totals</u>
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 3,199,152	\$ 1,311,176	\$ 4,510,328
Receivable:			
Accounts	78,461	-	78,461
Interest	2,219	810	3,029
Due from other funds	<u>384,005</u>	<u>-</u>	<u>384,005</u>
TOTAL ASSETS	<u>3,663,837</u>	<u>1,311,986</u>	<u>4,975,823</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	6,905	13,920	20,825
Accrued liabilities	2,378	1,922	4,300
Claims payable	<u>59,307</u>	<u>-</u>	<u>59,307</u>
TOTAL CURRENT LIABILITIES	<u>68,590</u>	<u>15,842</u>	<u>84,432</u>
LONG-TERM LIABILITIES:			
Claims payable	<u>84,693</u>	<u>-</u>	<u>84,693</u>
TOTAL LONG-TERM LIABILITIES	<u>84,693</u>	<u>-</u>	<u>84,693</u>
TOTAL LIABILITIES	<u>153,283</u>	<u>15,842</u>	<u>169,125</u>
NET POSITION:			
Unrestricted	<u>3,510,554</u>	<u>1,296,144</u>	<u>4,806,698</u>
TOTAL NET POSITION	<u>\$ 3,510,554</u>	<u>\$ 1,296,144</u>	<u>\$ 4,806,698</u>

CITY OF HIGHLAND

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

For the Fiscal Year Ended June 30, 2015

	<u>Insurance</u>	<u>General Services</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for services	\$ 251,745	\$ -	\$ 251,745
Miscellaneous	8,220	-	8,220
TOTAL OPERATING REVENUES	<u>259,965</u>	<u>-</u>	<u>259,965</u>
OPERATING EXPENSES:			
Salaries and benefits	77,357	-	77,357
Insurance premiums	119,579	-	119,579
Claims and judgements	11,696	-	11,696
Legal fees	40,908	-	40,908
Administrative expenses	132,481	207,212	339,693
Insurance adjusting fees	10,825	-	10,825
TOTAL OPERATING EXPENSES	<u>392,846</u>	<u>207,212</u>	<u>600,058</u>
OPERATING LOSS	<u>(132,881)</u>	<u>(207,212)</u>	<u>(340,093)</u>
NONOPERATING REVENUES:			
Investment income	8,881	3,384	12,265
TOTAL NONOPERATING REVENUES	<u>8,881</u>	<u>3,384</u>	<u>12,265</u>
CHANGES IN NET POSITION	<u>(124,000)</u>	<u>(203,828)</u>	<u>(327,828)</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>3,634,554</u>	<u>1,499,972</u>	<u>5,134,526</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 3,510,554</u>	<u>\$ 1,296,144</u>	<u>\$ 4,806,698</u>

CITY OF HIGHLAND

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2015

	<u>Insurance</u>	<u>General Services</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services	\$ 261,468	\$ -	\$ 261,468
Cash payments to employees for services	(77,689)	(53,641)	(131,330)
Cash payments made to suppliers/vendors	<u>(322,915)</u>	<u>(145,669)</u>	<u>(468,584)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(139,136)</u>	 <u>(199,310)</u>	 <u>(338,446)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash loaned to other funds	<u>(384,005)</u>	<u>-</u>	<u>(384,005)</u>
 NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	 <u>(384,005)</u>	 <u>-</u>	 <u>(384,005)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>8,580</u>	<u>3,351</u>	<u>11,931</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>8,580</u>	 <u>3,351</u>	 <u>11,931</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (514,561)	 (195,959)	 (710,520)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,713,713</u>	<u>1,507,135</u>	<u>5,220,848</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,199,152</u>	<u>\$ 1,311,176</u>	<u>\$ 4,510,328</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	<u>\$ (132,881)</u>	<u>\$ (207,212)</u>	<u>\$ (340,093)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	1,503	-	1,503
Increase (decrease) in accounts payable	(2,806)	7,321	4,515
Increase (decrease) in accrued liabilities	(332)	581	249
Increase (decrease) in claims payable	<u>(4,620)</u>	<u>-</u>	<u>(4,620)</u>
 Total Adjustments	 <u>(6,255)</u>	 <u>7,902</u>	 <u>1,647</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>\$ (139,136)</u>	 <u>\$ (199,310)</u>	 <u>\$ (338,446)</u>

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 FIDUCIARY ASSETS AND LIABILITIES
COMMUNITIES FACILITIES DISTRICTS AGENCY FUND

June 30, 2015

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
ASSETS:				
Cash and investments with fiscal agent	<u>\$ 3,784,983</u>		<u>\$ 1,091,595</u>	<u>\$ 2,693,388</u>
TOTAL ASSETS	<u><u>\$ 3,784,983</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,091,595</u></u>	<u><u>\$ 2,693,388</u></u>
LIABILITIES:				
Held for bondholders	<u>\$ 3,784,983</u>	<u>\$ -</u>	<u>\$ 1,091,595</u>	<u>\$ 2,693,388</u>
TOTAL LIABILITIES	<u><u>\$ 3,784,983</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,091,595</u></u>	<u><u>\$ 2,693,388</u></u>

DESCRIPTION OF STATISTICAL SECTION CONTENTS

This part of the City of Highland’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 says about the government’s overall financial health.

	<u>Page Number</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	136
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government’s most significant local revenue source, property tax.	140
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	144
<i>Demographic and Economic Information</i> The schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	149
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government and the activities it performs.	150

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

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Investment in capital assets	215,639,035	209,133,022	197,080,972	190,924,669	169,128,729	171,709,978	169,382,591	160,702,667	157,139,591	121,011,897
Restricted for:										
Public safety	10,811,124	11,383,704	10,442,756	10,103,434	7,344,410	7,006,934	6,469,920	5,076,025	3,739,146	2,415,673
Highways and streets	24,126,132	22,951,998	17,078,055	18,279,286	30,839,678	26,279,227	28,249,863	24,408,609	26,095,854	27,762,508
Affordable housing	1,392,208	1,343,835	1,245,335	717,363	-	-	-	-	-	-
Unrestricted	9,320,447	11,098,575	23,319,965	24,720,516	35,405,842	39,571,361	39,310,516	43,152,599	36,644,876	40,316,580
Total governmental activities net position	<u>\$261,288,946</u>	<u>\$255,911,134</u>	<u>\$249,167,083</u>	<u>\$244,745,268</u>	<u>\$242,718,659</u>	<u>\$244,567,500</u>	<u>\$243,412,890</u>	<u>\$233,339,900</u>	<u>\$223,619,467</u>	<u>\$191,506,658</u>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities:										
General government	6,693,784	7,288,603	7,992,150	7,223,527	9,295,784	6,728,363	8,431,709	7,950,092	6,966,227	6,751,060
Public safety	12,331,238	11,800,508	10,858,918	10,427,656	9,902,952	9,526,477	9,148,103	8,853,182	8,307,371	8,825,415
Highways and streets	12,304,340	13,352,100	5,461,910	8,701,612	13,259,599	6,865,822	9,068,913	12,125,436	5,675,699	6,828,750
Interest and fiscal charges	-	-	-	1,684,540	3,149,382	3,394,624	3,069,352	3,495,578	1,553,904	1,374,956
Total governmental activities expenses	<u>31,329,362</u>	<u>32,441,211</u>	<u>24,312,978</u>	<u>28,037,335</u>	<u>35,607,717</u>	<u>26,515,286</u>	<u>29,718,077</u>	<u>32,424,288</u>	<u>22,503,201</u>	<u>23,780,181</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,080,488	1,037,804	939,407	997,356	1,157,907	955,812	1,704,160	1,607,310	1,481,050	1,947,730
Public safety	3,517,820	3,785,784	3,565,197	3,596,580	670,229	611,327	650,111	628,282	592,096	849,671
Highways and streets	886,907	949,736	967,367	817,326	-	-	-	-	-	-
Operating grants and contributions	4,464,421	7,901,021	2,346,472	3,975,957	5,718,412	3,398,587	4,431,240	5,537,451	5,522,785	4,363,371
Capital grants and contributions	11,931,594	17,151,933	7,866,306	5,771,257	6,837,643	7,229,187	12,196,780	10,378,921	24,205,419	10,013,382
Total governmental activities program revenues	<u>21,881,230</u>	<u>30,826,278</u>	<u>15,684,749</u>	<u>15,158,476</u>	<u>14,384,191</u>	<u>12,194,913</u>	<u>18,982,291</u>	<u>18,151,964</u>	<u>31,801,350</u>	<u>17,174,154</u>
Net revenues (expenses) governmental activities	<u>(9,448,132)</u>	<u>(1,614,933)</u>	<u>(8,628,229)</u>	<u>(12,878,859)</u>	<u>(21,223,526)</u>	<u>(14,320,373)</u>	<u>(10,735,786)</u>	<u>(14,272,324)</u>	<u>9,298,149</u>	<u>(6,606,027)</u>
Governmental activities:										
Taxes:										
Property taxes	8,568,219	8,188,274	7,528,512	8,030,404	9,435,885	7,363,024	12,416,120	14,665,806	13,308,804	10,607,821
Sales and use taxes	1,682,344	1,639,446	1,643,959	1,612,077	1,437,845	1,327,033	1,048,170	1,564,043	1,301,204	1,251,758
Transient occupancy tax	264,628	249,722	228,490	204,296	178,729	167,247	123,211	41,747	49,401	48,295
Franchise taxes	1,561,126	1,500,203	1,471,668	1,482,418	1,440,500	1,456,089	1,497,340	1,411,566	1,465,842	1,280,418
Business license tax	344,282	253,690	232,909	243,218	276,517	228,259	240,498	325,616	272,323	520,149
Other	14,362	47,160	57,684	83,100	59,014	119,184	-	-	-	-
Investment income	987,829	48,567	58,651	117,613	155,081	219,248	734,256	1,331,150	2,302,140	856,547
State motor vehicle in lieu, unrestricted	-	-	3,764,950	3,750,346	3,967,325	4,551,516	4,689,433	4,602,679	4,062,670	4,501,927
Rental income	-	-	120,601	168,109	-	-	-	-	-	-
Land contribution from the Successor Agency	-	-	1,645,592	-	-	-	-	-	-	-
Miscellaneous	1,403,154	1,004,511	463,553	94,458	40,610	43,383	59,748	50,150	52,276	94,724
Total governmental activities	<u>14,825,944</u>	<u>12,931,573</u>	<u>17,216,569</u>	<u>15,786,039</u>	<u>16,991,506</u>	<u>15,474,983</u>	<u>20,808,776</u>	<u>23,992,757</u>	<u>22,814,660</u>	<u>19,161,639</u>
Changes in net position governmental activities	<u>\$ 5,377,812</u>	<u>\$ 11,316,640</u>	<u>\$ 8,588,340</u>	<u>\$ 2,907,180</u>	<u>\$ (4,232,020)</u>	<u>\$ 1,154,610</u>	<u>\$ 10,072,990</u>	<u>\$ 9,720,433</u>	<u>\$ 32,112,809</u>	<u>\$ 12,555,612</u>
Extraordinary item: Loss on transfer	-	-	-	(880,571.00)	-	-	-	-	-	-
Restatement of Land	-	-	(1,998,141)	-	-	-	-	-	-	-
Extraordinary item: Repayment of Advance	-	(946,087)	(2,168,384)	-	-	-	-	-	-	-
Implementation of GASB 68 & 71 (note 16)	-	(3,513,889)	-	-	-	-	-	-	-	-
Restatement of Depreciation (note 16)	-	(3,859,190)	-	-	-	-	-	-	-	-
Restatement of Capital Assets (note 16)	-	3,746,577	-	-	-	-	-	-	-	-
Changes in net position governmental activities	<u>\$ 5,377,812</u>	<u>\$ 6,744,051</u>	<u>\$ 4,421,815</u>	<u>\$ 2,026,609</u>	-	-	-	-	-	-

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

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

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

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

Category	Assessed Value									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential	2,609,720,470	2,447,887,756	2,360,240,430	2,340,010,673	2,333,001,753	2,550,249,095	2,935,934,075	2,863,064,605	2,488,406,732	2,096,881,470
Commercial	196,409,096	194,061,982	190,385,491	197,340,618	197,876,791	194,047,501	158,419,204	145,475,322	122,466,759	99,060,971
Industrial	42,808,510	42,408,595	39,608,573	38,257,586	39,108,545	39,144,816	17,548,829	16,345,050	18,347,146	11,779,501
Irrigated	794,784	791,192	1,023,979	1,003,899	1,160,051	1,219,204	1,633,753	1,601,720	1,570,314	2,212,971
Dry Farm	196,606	195,718	191,880	188,118	186,712	187,155	183,485	179,887	2,531,535	2,522,873
Recreational	2,391,470	2,390,411	2,243,540	2,416,706	2,503,273	2,496,725	2,468,984	2,465,318	3,179,482	3,022,813
Institutional	27,748,091	27,588,682	27,124,221	27,049,010	27,098,415	27,162,790	26,630,187	26,108,023	25,029,578	24,204,947
Miscellaneous	11,796,187	12,959,361	13,574,718	13,405,863	15,081,959	12,190,155	9,549,423	14,946,904	9,691,230	10,081,229
Vacant Land	75,088,677	74,106,442	77,808,833	81,515,351	88,317,166	104,613,843	117,046,561	110,910,014	86,982,384	62,609,108
SBE Nonunitary	18,900	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Unsecured	61,175,324	62,341,169	63,946,028	63,630,188	64,760,058	63,499,158	52,729,890	46,934,714	39,558,005	37,840,343
Unknown	-	-	1,285,846	866,876	-	-	-	-	-	5,715
Exemptions	(61,581,215)	(60,509,158)	(57,924,892)	(56,024,399)	(57,634,552)	(58,825,841)	(49,794,191)	(47,479,131)	(44,223,613)	(41,692,396)
Total	2,966,566,900	2,804,253,650	2,719,540,147	2,709,691,989	2,711,491,671	2,936,016,101	3,272,381,700	3,180,583,926	2,753,571,052	2,308,561,045
Total direct rate	0.23898	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.

CITY OF HIGHLAND

(Rate per \$100 of assessed value)
Last Two Fiscal Years

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

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

Information for additional years is unavailable.

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

Taxpayer	2015		2006	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Victoria Development Company	24,684,910	0.88%	-	0.00%
Lowe's HIW Inc.	16,559,786	0.59%	-	0.00%
Sam Menlo Trust	16,553,468	0.59%	14,557,713	0.72%
Greenspot Ranch Investors	13,619,835	0.49%	11,476,542	0.57%
IH2 Property West LP ETAL	11,623,897	0.41%	-	0.00%
Greenspot Village & Marketplace LLC	11,299,633	0.40%	-	0.00%
RRM Properties Limited	10,366,573	0.37%	-	0.00%
Mountain Breeze Villa LP	10,050,000	0.36%	-	0.00%
Cole LA Highland California LP	9,703,332	0.35%	-	0.00%
Boulder Baseline Investors	9,625,695	0.34%	8,465,183	0.42%
Immanuel Baptist Church	-	0.00%	14,296,742	0.71%
Urban Communities Preservation Housing	-	0.00%	8,527,200	0.42%
Housing Venture I	-	0.00%	8,327,235	0.41%
Wesmor & Wesmor	-	0.00%	7,893,285	0.39%
Smith Food & Drug Centers, Inc.	-	0.00%	7,150,884	0.35%
Woodman Realty, Inc.	-	0.00%	5,410,680	0.27%
Chung Family Revocable Living Trust	-	0.00%	5,323,017	0.26%
	<u>\$134,087,129</u>	<u>4.78%</u>	<u>\$ 91,428,481</u>	<u>4.52%</u>

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

Source: HdL

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

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Amount Collected	Percent of Levy	Property Tax Collections in Subsequent Years	Amount Collected	Percent of Levy
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%
2015	\$ 7,238,423	5,672,014	78.36%	68,951	5,740,965	79.31%

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

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

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

Fiscal Year Ended June 30	Governmental Activities Former RDA Tax Allocation Bonds	Percentage of Personal Income ¹	Debt Per Capita ¹
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%	-
2015	-	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 <hr/> Former RDA Tax Allocation Bonds	Percent of Assessed Value ¹	Per Capita
2006	20,645,000	0.89%	401
2007	62,865,000	2.28%	1,207
2008	62,465,000	1.96%	1,197
2009	61,490,000	1.88%	1,174
2010	60,405,000	2.06%	1,151
2011	59,275,000	2.19%	1,109
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-

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, 2015

City Assessed Valuation	\$ 2,508,378,254
Redevelopment Agency Incremental Valuation	<u>458,188,646</u>
Total Assessed Valuation	<u>\$ 2,966,566,900</u>

	Percentage Applicable ¹	Outstanding Debt 6/30/2015	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%	1,015,000	1,015,000
City of Highland CFD 2001-1	100.000%	4,665,000	4,665,000
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%	<u>88,675,000</u>	<u>3,635,675</u>
Total overlapping other debt		<u>2,107,688,337</u>	<u>26,237,833</u>
Total overlapping debt		<u>\$ 2,107,688,337</u>	<u>\$ 26,237,833</u>
City direct debt			-
Total direct and overlapping debt			¹ <u>\$ 26,237,833</u>

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 Nine Years

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

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 nine years of data for this schedule. Information for additional years is unavailable.

CITY OF HIGHLAND
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Former RDA Tax Increment	Debt Service		Coverage
		Principal	Interest	
2006	6,590,809	410,000	989,086	4.71
2007	8,964,742	425,000	980,351	6.38
2008	10,342,684	400,000	2,790,022	3.24
2009	10,484,840	975,000	2,913,593	2.70
2010	9,381,837	1,085,000	3,306,338	2.14
2011	8,208,111	7,151,420	3,061,165	0.80
2012	4,759,252	1,170,000	1,405,454	1.85
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-

Note: Details regarding the SARDA's outstanding debt can be found in the not to the financial statements. The RDA was dissolved on 2/1/2012.

In January of 2011, the RDA Board approved the re-payment of \$6,021,420 of advances (loans) from the City.

CITY OF HIGHLAND
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (3)	Unemployment Rate (4)
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%
2015	54,332	1,198,564	22,060	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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City clerk	1.950	1.950	1.950	1.800	1.800	1.800	1.950	1.950	2.000	1.000
General government	3.925	3.925	3.950	3.650	3.650	3.900	3.900	3.900	2.800	2.800
Personnel	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.500	0.500
Finance	4.375	4.375	4.400	3.900	3.900	3.900	3.600	3.300	4.000	4.000
Public works (Gas tax)	5.200	5.200	5.000	5.250	5.250	5.500	5.500	5.500	5.000	5.000
Engineering	0.350	0.350	0.500	0.750	0.750	0.750	1.000	1.000	1.000	1.000
Planning	5.550	5.550	5.650	4.500	4.500	4.500	5.200	5.200	4.600	4.600
Public services	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.000	1.000
Building and safety	1.550	1.550	1.550	1.475	1.475	1.475	1.475	1.475	1.900	1.900
Code enforcement	2.400	2.400	2.400	1.775	1.775	1.775	1.775	1.775	2.200	1.700
Parks and trails	2.150	2.150	2.250	2.250	2.250	2.500	2.500	2.500	2.500	2.000
Graffiti	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
CDBG	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400
HUD grant	-	-	-	-	-	-	-	-	-	-
Assessment districts	-	-	-	-	-	-	-	-	-	-
AQMD AB 2766	-	-	-	-	-	-	-	-	-	-
General liability	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.450	0.450
Building services	0.850	0.850	0.250	0.250	0.250	0.500	0.500	0.500	-	-
Housing authority	0.100	0.100	-	-	-	-	-	-	-	-
Redevelopment/Successor agency	0.500	0.500	-	6.300	6.300	6.300	5.500	4.800	3.650	3.650
	<u>34.000</u>	<u>34.000</u>	<u>33.000</u>	<u>37.000</u>	<u>37.000</u>	<u>38.000</u>	<u>38.000</u>	<u>37.000</u>	<u>34.000</u>	<u>32.000</u>

Source: City of Highland.

CITY OF HIGHLAND
 Operating Indicators
 by Department
 Last Ten Fiscal Years

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police department:										
Calls for service	48,314	45,795	44,270	46,260	46,253	47,608	48,089	47,789	45,467	43,589
Adult Bookings	1,726	1,644	1,659	1,767	1,728	1,618	2,863	1,292	692	665
Animal control services:										
Calls for service	3,914	4,268	3,977	4,141	4,100	4,194	4,135	4,078	3,069	3,000
Impounds	1,792	2,066	2,579	2,260	2,274	2,202	2,298	2,255	2,105	2,006
Dog licenses issued*	2,287	2,394	2,647	3,273	2,868	3,259	3,210	1,213	n/a	n/a
Public works:										
Roadway maintained (miles)	142.67	142.50	142.50	142.50	140.96	139.96	139.96	139.96	139.96	133.10
Planning:										
Applications	146	190	151	180	157	110	98	160	116	105
Building and safety:										
Building permits issued	n/a	1,154	1,048	1,276	1,073	894	866	867	1,034	588
Administration:										
New business licenses*	973	411	627	667	574	420	447	394	n/a	n/a
Renewed business licenses*	1,479	1,520	1,287	1,239	1,072	1026	928	275	n/a	n/a
Parks:										
Number of parks	7	7	7	7	6	6	5	5	4	4
Acreage	37.25	37.25	37.25	37.25	36.25	36.25	35.80	35.80	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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Corporation yards	1	1	1	1	1	1	1	1	1	1
Streets (miles)	142.67	142.50	142.50	142.50	140.96	139.96	139.96	139.96	139.96	133.10
Street lights	3,455	3,395	3,380	3,376	3,326	3,315	3,297	3,255	3,226	3,185
Traffic signals	77	75	73	71	71	71	71	71	71	69
Recreation:										
Parks	7	7	7	7	6	6	5	5	5	5
Community centers	1	1	1	1	1	1	1	1	1	1
Athletic centers	1	1	1	1	1	1	1	1	1	-
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.

