



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

Redlands' City Council Members

Peter R. Aguilar, Mayor
Paul Foster, Mayor Pro Tempore
Bob Gardner, Council Member
Patricia L. Gilbreath, Council Member
Jon P. Harrison, Council Member

N. Enrique Martinez, City Manager
Tina T. Kundig, Finance Director

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CITY OF REDLANDS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR FISCAL YEAR ENDED JUNE 30, 2014

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City of Redlands



December 15, 2014

To the Members of the City Council and Citizens of the City of Redlands:

It is the policy of the City of Redlands to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Redlands ("the City") for the Fiscal Year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Lance, Soll & Lunghard LLP, an independent firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the Fiscal Year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the Fiscal Year ended June 30, 2014, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City's internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

"Preserving the Past, Protecting the Future"

P.O. BOX 3005



REDLANDS, CA 92373



GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Redlands, incorporated in 1888, is located 63 miles east of Los Angeles, 110 miles north of San Diego, and 500 miles southeast of San Francisco. It lies within the San Bernardino Valley in the southwestern portion of San Bernardino County, covering an area of 36 square miles, within the heart of the Inland Empire. It serves a population of 69,882 residents.

The City was incorporated under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. It is a municipal corporation governed by a five-member city council in which all policy-making and legislative authority is vested. The City Council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is the chief administrative officer of the City and as such is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing department heads. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with elections occurring every two years. The mayor is elected by a majority vote of the Council.

The City provides a full range of services, including police and fire protection, animal control, emergency medical aid, building safety regulation and inspection, street lighting, landscaping, sewer and water utilities, solid waste collection and disposal, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement, and a full range of recreational and cultural programs for citizen participation, as well as being the home of the historic A. K. Smiley Public Library.

The annual budget serves as the foundation for the City's financial planning and control. Prior to the beginning of the Fiscal Year, the City Manager submits a budget for the upcoming year to the City Council. Public hearings are held before final approval of the budget. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds are included in the annual budget. The level of control (level at which expenditures may not exceed budget) is the fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end; however encumbrances are re-appropriated each year by separate action 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 and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. City of Redlands' economy is based largely in the service and trade sectors (health care, retail trade, government, and education) and light manufacturing. The region has a varied manufacturing and industrial base that has added to the relative stability of the unemployment rate over the years. However, during the downturn in the economy, the unemployment rate rose to a high in 2010 of 10.5%, declining in the following year to 9.7% and again the next year to 7%. The rate for calendar year 2013 was 6.0% and, as of October, 2014, the preliminary rate for calendar year 2014 is 5.6%. Redlands' unemployment rate remains lower than its neighboring communities. Since 2002, the annual unemployment rate for the City has ranged from a low of 3.4% to the high of 10.5%.

The City has land available for industrial/commercial/office use with only a portion of these areas utilized. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, electrical controls, furniture manufacturing, and automobile component manufacturers, and several financial and insurance institutions. Major employers in the City or within the vicinity include ESRI (Environmental Systems Research Institute), the Redlands Unified School District, the United States Postal Service, Redlands Community Hospital, Verizon, the University of Redlands, Beaver Medical Group, the City of Redlands, Wal-Mart Stores, Inc., La Z-Boy, Inc. Southern California Gas/Sempra, and Loma Linda University Medical Center, the Jerry L. Pettis Veterans Hospital, and the VA Loma Linda Healthcare System. A number of large warehouse distribution centers have been developed over the past few years in the City or within its vicinity, including Bechton-Dickenson, Stater Bros. and Salton, with each providing additional job opportunities to the community.

The City's property tax base had showed steady growth from Fiscal Year 2000-2001, increasing from \$3.2 billion in that year to \$7.7 billion in Fiscal Year 2008-2009. However, for the 2009-2010 tax roll, the City of Redlands experienced a net taxable value decrease of 1.9%. Decreases occurred, again, for the 2010-2011 and 2011-2012 tax rolls, at 2.5% and 1.9%, respectively. After three years of decreases, the City experienced a net taxable value increase of 1.9% for the 2012-2013 tax roll, and for the 2013-2014 tax roll, another net taxable value increase of 2.7%, which was slightly less than the 3% increase experienced countywide. The assessed value increase between 2012-2013 and 2013-2014 was \$199 million. The change attributed to the 2% Proposition 13 inflation adjustment was \$80.5 million, which accounted for 41% of all growth experienced in the City.

The largest assessed value increase was reported on a multi-family residential parcel owned by FA of Orange Village LLC at 106 W. Pennsylvania Avenue that was purchased in 2012 for more than the previous enrolled value, resulting in an increase of \$8.5 million. This is the Orange Village Apartments. Four vacant sites formerly owned by the City of Redlands at 27050 Palmetto Avenue sold to Prologis LP in 2012 and have been enrolled as taxable properties in 2013-2014 for an increase of \$12.3 million. The largest decline was posted on industrial property owned by 2301 W. San Bernardino Avenue Investment which was granted a reduction through a successful appeal filing for a decline of \$9.9 million. This is Weber Distribution Center for Salton Inc. and Applicia Consumer (Black & Decker) Products. Commercial property at 321 Alabama Street owned by ESS Prisa II LLC was also granted a reduction after an appeal hearing, resulting in a decline of \$3.7 million. This is the Alabama Self Storage Facility. Citrus Place Village LLC at 301 S. Wabash Avenue was granted a full welfare exemption which was

applied late last year. This is the Village at Redlands retirement community owned by four churches.

The housing market continued to improve in 2013 as home buying increased due to continued low interest rates and affordable prices. Foreclosure levels are back to historical norms. Median prices and numbers of sale transaction were up statewide. The median sale price of a single family home in Redlands from January through August 2013 was \$270,000. This represented a \$45,000, or 20%, increase in median sale price from 2012. Within the first two quarters of 2014, sales data taken as a whole for the year, showed that single family residences were selling for 9.46% higher than in the previous calendar year and prices for the full calendar year 2013 were up 24.44%. The median sale price from January through August 2014 was \$305,000, an amount that is \$84,000 off of peak prices experienced in 2007.

Development activity in Fiscal Year 2013-2014 continued to stabilize from previous years of continual declines as evidenced by extremely low vacancy rates. Redlands welcomed two new retail centers in 2014 (one completed and one under construction), as well as a number of new retail, restaurant and specialty stores. The Redlands Village, nearly 100% occupied, is anchored by a new 44,000 square-foot, state-of-the-art Stater Bros. supermarket. Other tenants include AutoZone, CVS, Jersey Mike's Subs, Major Brain Freeze Frozen Yogurt, Starbucks, US Bank and others. Majestic Realty has broken ground on its 468,000 square-foot Mountain Grove regional shopping center, the sister project to the highly successful Citrus Plaza. Signed tenants include 24-Hour Fitness, Banana Republic, buybuy Baby, Gap, Hobby Lobby, Home Goods, Nordstrom Rack, Old Navy, Ross Dress For Less, Tilly's, TJ Maxx, and Ulta Beauty. Additionally, the project will include a 14-screen, state-of-the-art Harkins Theatres entertainment complex. Mountain Grove is planned to open summer 2015. Other notable additions to the retail landscape include: Active Ride Shop, Angus McCurdy's, Crepes of Wrath, Darby's American Cantina, Juice It Up! and Pieology.

Two expansions have been announced by existing retailers, with construction commencing in the near future. The Redlands Auto Center (Chrysler, Dodge, Jeep, Mazda) and Redlands Ford intend to upgrade their respective facilities, which will include a combination of demolition, remodeling and some new construction. Panera Bread has indicated that it will expand its facility in the Citrus Village shopping center with the addition of a drive-through, and Krikorian Theatres has announced plans to renovate and expand its existing entertainment complex with two additional theatres featuring enhanced seating and larger screens, as well as a luxury sports bar/restaurant.

The Redlands manufacturing and distribution sector currently represents one of the strongest industrial markets in the Inland Empire. Multiple projects, some over one million square feet in size, are underway to meet demand, and three industry leading retailers have staked their claim to newly constructed and existing facilities in the community. Their presence has created hundreds of new jobs for local residents.

Notable business development in Fiscal Year 2013-2014 includes:

- Amazon fulfillment has opened its new 700,000 square-foot e-commerce fulfillment center and began shipping product in October, 2014. The Redlands fulfillment center (Amazon's fifth facility in California) ships many larger items including big screen televisions and kayaks.
- Burlington Coat Factory, which also has a retail presence in town, began operations from its new 800,000 square-foot distribution facility earlier this year. The facility was built by Prologis as a speculative investment.

- Innotrac, a global e-commerce fulfillment solutions provider, opened a 700,000 square-foot, direct-to-customer U.S. fulfillment center for its fast fashion European retail client Zara. Zara has over 2,000 stores strategically located in leading cities across 88 countries and began online sales in 2010.

The Municipal Utilities and Engineering Department (MUED) embarked on a number transportation projects during Fiscal Year 2013-2014. The transportation projects include PARIS Paving 2013 (35-566) and the PARIS Paving 2014 (567-960) design. Since the PARIS program started in 2013, 110 lane miles of streets have been paved. In addition to the street resurfacing projects, MUED has also managed projects related to construction of the Redlands Boulevard and Alabama Street intersection improvements, whereby a 22 foot offset is being corrected. Other improvements have included renovation of sidewalks and ADA ramps, including Safe Routes to Schools, Cycle 2; striping projects, such as Highway Safety Improvement Program (HSIP) Cycle 4; and bus pads Transportation Development Act (TDA) grant projects. Together, these projects have allowed for the construction of 245 linear feet of sidewalks and 147 ADA ramps.

MUED park projects during Fiscal Year 2013-2014 included the construction of the Orange Blossom Trail Phase I, design of Orange Blossom Trail Phase II, and the planning of Orange Blossom Trail Phase III. Additionally, ten City park parking lots were paved. In addition to the work by MUED, the Quality of Life Department began work to renovate restrooms in nine City parks, including Smiley, Sylvan, Community, Sports, Ford, Jennie Davis, Texonia, Brookside, and Crafton parks.

During Fiscal Year 2013-2014, MUED also completed a number of utility related projects, including the Dearborn Reservoir roof rehabilitation project, the Texas Street reservoir rehabilitation project, and the Arroyo Reservoir Recoating project. Additionally, MUED completed several pipeline replacement projects that resulted in a total of nearly 8 miles of new pipe. The projects included 2013 Water CIP Phase I, Mira Monte pipeline, and Highline Phase I pipeline. Other utility projects include the water and wastewater utility system assessments, SCADA installation project, and the design of the non-potable reservoir to be constructed at Texonia Park.

As of February 1, 2012, the City of Redlands Redevelopment Agency – and all redevelopment agencies in California – were dissolved under AB1X 26 (and subsequently AB1484), and the City of Redlands, as “Successor Agency,” assumed responsibilities for winding down the operations of the Redevelopment Agency. As such, the Successor Agency for the former Redevelopment Agency for the City of Redlands has the responsibility of paying off existing debts and obligations including the disposal of all assets and properties of the former Redevelopment Agency. The City of Redlands elected not to assume the responsibility for administering the former Redevelopment Agency’s housing functions.

To date, the Successor Agency has complied with the requirements of AB1X 26/AB and 1484 by submitting its Enforceable Obligation Payment Schedule (EOPS), Recognized Obligation Payment Schedules (ROPS), and other required documents. Successor Agency and City staff continue to respond to the ever-changing requirements of the State of California Department of Finance (DOF) and were notified pursuant to a letter from the Attorney General, dated August 25, 2014, that the DOF concurs that a loan of \$3,157,400 made from the City to the Successor Agency in July, 2012, was for enforceable obligations of the Successor Agency from July 2012 through December 2012, including the principal and interest on tax allocation bonds which were due on August 1, 2012. In the next fiscal years, the Successor Agency will be transferring ownership of properties designated for a governmental purpose to the City and disposing of those properties not specified for a governmental purpose, in accordance with a Long-Range Property

Management Plan, currently under review by the State Department of Finance. Further discussion about the Successor Agency can be found in Note 16 of the Notes to the Basic Financial Statements.

Long-term financial outlook/planning. Prior to, and over the last decade, the City has faced financial challenges as a result of the State Budget crisis, increases in PERS rates, increases in employee contracts, and employee retirements, and in recent years, faced the impacts associated with the greatest downturn in our economy that had been seen in years. At times during this period, despite some years of growth in property taxes, sales taxes, and development, the City's General Fund expenditures and uses exceeded its revenues and sources, thereby causing a decline in the General Fund's Unreserved (Unassigned) Fund Balance. As a result, the City began to focus on financial policy decisions to balance the budget, establish minimum reserve levels, as well as to review service levels, enhance revenue opportunities, evaluate reorganizations and develop capital improvement plans. These actions helped the City's General Fund achieve net increases in its fund balance in Fiscal Year 2006-2007, by \$1.4 million, and again in Fiscal Year 2007-2008, by \$1.9 million. These actions over the two years proved invaluable to the City as the downturn in the economy hit in Fiscal Year 2008-2009. In the fall of Fiscal Year 2008-2009, the City Council, the City Manager and the executive staff examined the potential impacts the downturn in the economy would have on the City, particularly as a result of a significant decline in sales tax revenue and a slowdown in development activity. Departmental budgets were reduced wherever possible and an early retirement incentive program was established, along with a furlough program for all employees that began during the second half of Fiscal Year 2008-2009. As a result of these efforts and some improvement in certain revenue categories, the fund balance of the City's General Fund increased by \$3.7 million during that year. Despite the positive outcome to Fiscal Year 2008-2009, the City continued to face challenges in Fiscal Year 2009-2010 as a result of the poor economic climate and continued declines in sales taxes and development revenues, along with declines in property taxes, franchise fees, and other taxes. With continuation of the furlough program, continued emphasis on reducing expenditures, and some better than expected revenues, the General Fund Unreserved (unassigned) Fund Balance reached \$5.8 million by year-end, exceeding projections by \$1.25 million.

In the following two fiscal years, the furloughs continued and vacancies in the Police department and other changes in positions and staffing levels resulted in savings that together with other cost-saving measures resulted in an unassigned fund balance in the General Fund of \$6.8 million at June 30, 2011 and \$7.8 million at June 30, 2012. Despite the end of furloughs at June 30, 2012 for all but the Police bargaining groups, General Fund expenditures for Fiscal Year 2012-2013 came in under budget by \$1.3 million, a reflection of the City's commitment to tightening its belt. Although revenues also came in under budget that year, the General Fund's ending unassigned fund balance grew to \$8.2 million.

Despite improvements seen in the economy during Fiscal Year 2013-2014, the City did not falter in its efforts to monitor expenditures and make reductions where possible. By the end of Fiscal Year 2013-2014, or shortly thereafter, the City Council had worked with outside counsel to negotiate with the City's bargaining units to achieve immediate and future salary and benefit savings for the City, through agreements with employees to share in contributions towards retirement and health benefits.

As a result of the City's cost-saving efforts, as well as improvements in the economy that translated into improved revenues, the General Fund ending fund balance at June 30, 2014 increased by \$2.9 million to \$28,347,678, including \$1.8 million in designated receipts. Of that amount, \$10.8 million was unassigned. Further review of the General Fund is included within Management's Discussion and Analysis which follows the independent auditor's report.

In its on-going effort to determine how best to lead the City into the future, the City Council held a strategic planning workshop in January, 2014, in which they confirmed goals/focus themes for the City of Redlands originally identified in a workshop held in June, 2013. Following a year-long effort to develop a strategic plan that would move the City forward in a way that would be most advantageous to its residents and the community at large, the City Council approved the 2014-2017 Strategic Plan dated July 1, 2014, in which it identified the following five priority focus areas: fiscal accountability, economic development, infrastructure, land resource management, and safety and economic services.

As one of the priorities identified in the Strategic Plan under infrastructure and as one of its important long term initiatives, the City of Redlands is embracing technology at a rapid pace to achieve efficiency in service delivery. Representative of this effort is the City Council's recently adopted Five-Year Information Technology (IT) Master Plan, which resulted from a comprehensive and thorough assessment of the City's existing technology infrastructure, operational requirements and service delivery needs. The IT Master Plan provides a set of initiatives and priorities for categories such as: IT Infrastructure, Data Security, Mobile Computing and Best Practices. In keeping with the City Council's promotion of these efforts, funds are directed towards IT Master Plan projects each year from the Department of Innovation and Technology's operating budget. To date, 61 out of the 103 initiatives outlined in the plan are either marked as complete or will be funded by the end of the fiscal year ending June 30, 2015.

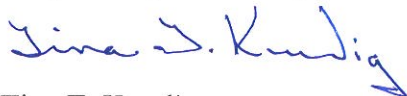
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Redlands for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance department. Special recognition is due to Assistant Finance Director, Tom Steele, and Senior Accountant, Jacquelyn Guest, for their efforts in overseeing the compilation of the accounting data and interfacing with our auditors, to the accounting firm of Lance, Soll & Lunghard, LLP, and to Tricia Swope, Senior Administrative Assistant.

Respectfully submitted,



Tina T. Kundig
Finance Director



Government Finance Officers Association

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

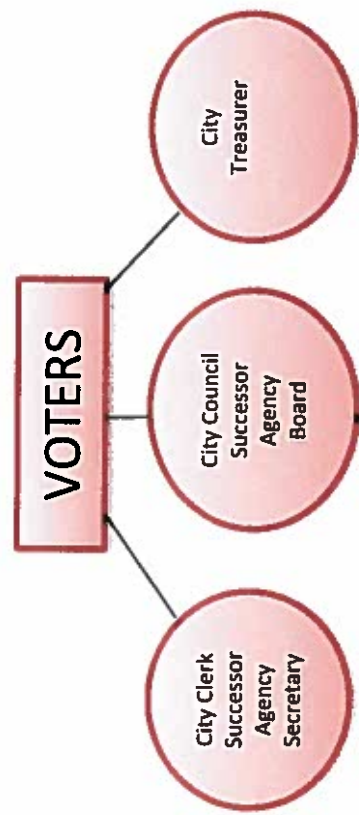
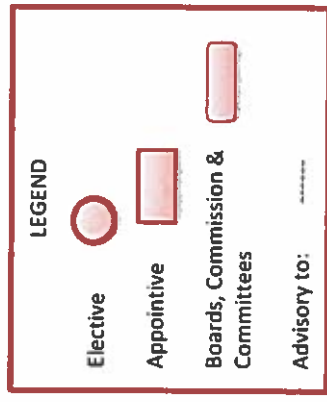
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**City of Redlands
California**

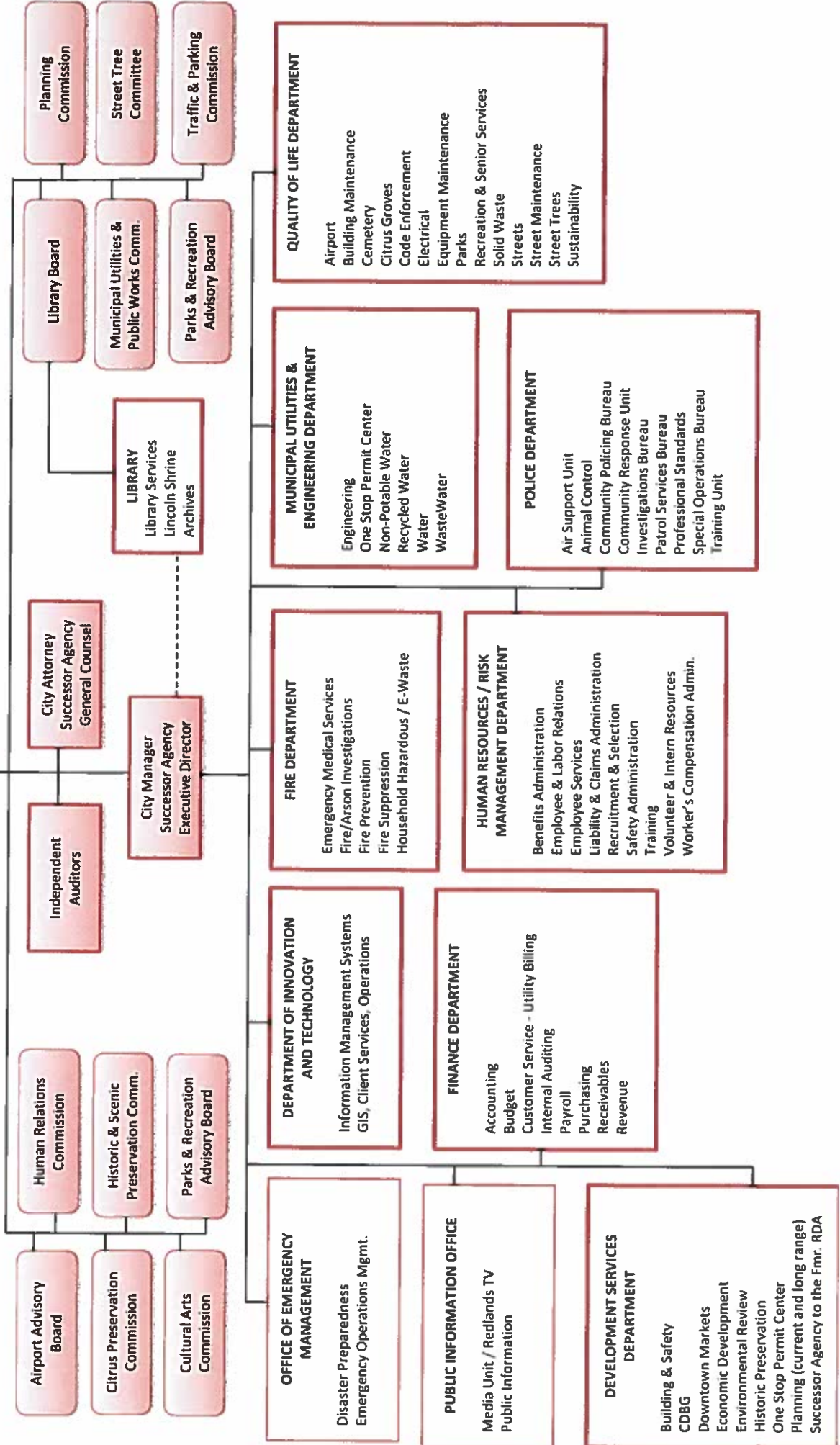
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



City of Redlands, CA
 Organizational Chart
 Approved By
N. Enrique Martínez
 N. Enrique Martínez, City Manager
 Effective July, 2014



CITY OF REDLANDS
PRINCIPAL OFFICERS

CITY COUNCIL (Elected)	Peter R. Aguilar, Mayor Paul Foster, Mayor Pro Tem Bob Gardner, Councilmember Patricia L. Gilbreath, Councilmember Jon P. Harrison, Councilmember
CITY MANAGER	N. Enrique Martinez
CITY CLERK (Elected)	A. Samuel Irwin
CITY TREASURER (Elected)	Robert E. Dawes
CITY ATTORNEY	Daniel J. McHugh
CHIEF INFORMATION OFFICER	Danielle Garcia
DEVELOPMENT SERVICES DIRECTOR	Oscar W. Orci
FINANCE DIRECTOR	Tina T. Kundig
FIRE CHIEF	Jeff L. Frazier
HUMAN RESOURCES DIRECTOR	Amy Martin
LIBRARY DIRECTOR	Donald McCue
MUNICIPAL UTILITIES & ENGINEERING DIRECTOR	Fred Mousavipour
POLICE CHIEF	Mark Garcia
QUALITY OF LIFE DIRECTOR	Alfredo Cardenas

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Redlands, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redlands, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the General Fund, Local Transportation Fund, and Public Facilities Fund as listed in the 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Luyhard, LLP

Brea, California
December 15, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Redlands provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual CAFR 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 non-major 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* 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 system.
 - *Fiduciary fund* statements provide information about 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 provides 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

	Fund Statements			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow of resources, deferred inflow of resources, and liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources 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, although they can
Type of financial inflow and outflow information	All revenues and expenses during the 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 the 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 its changes. You can think of the City's net position – the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position may be 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 and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City services into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.

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. 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 a reconciliation on the page following 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. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional

information, such as cash flows, for proprietary funds. We 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 Net Position. 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.

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

CITY OF REDLANDS Statement of Net Position June 30, 2014

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other Assets	\$ 69,022,988	\$ 60,948,422	\$ 82,028,223	\$ 70,488,399	\$ 151,051,211	\$ 131,436,821
Capital Assets	611,632,823	597,506,147	181,255,275	170,375,315	792,888,098	767,881,462
Total Assets	680,655,811	658,454,569	263,283,498	240,863,714	943,939,309	899,318,283
Long-term Debt Outstanding	54,405,461	55,177,110	55,518,610	37,406,776	109,924,071	92,583,886
Other Liabilities	19,347,578	15,445,940	5,548,155	4,009,495	24,895,733	19,455,435
Total Liabilities	73,753,039	70,623,050	61,066,765	41,416,271	134,819,804	112,039,321
Net Position:						
Net Investment in Capital Assets	609,555,372	594,654,756	157,413,884	146,926,486	766,969,256	741,581,242
Restricted	18,365,510	20,158,877	3,702,600	416,340	22,068,110	20,575,217
Unrestricted	(21,018,110)	(26,982,114)	41,100,249	52,104,617	20,082,139	25,122,503
Total Net Position	\$ 606,902,772	\$ 587,831,519	\$ 202,216,733	\$ 199,447,443	\$ 809,119,505	\$ 787,278,962

The increase in net position can provide an indication that the overall financial position of the City improved during the year, by a total of \$21,874,238 as indicated in the Changes in Net Position Table 2 that follows. Table 1 shows that the net position of the government-wide activities increased by \$21,840,543 or 2.8%, from \$787,278,962 in 2013 to \$809,119,505 in 2014. Governmental Activities net position increased by 3.2%, from \$587,831,519 at June 30, 2013 to \$606,902,772 at June 2014. The City's net position of business-type activities increased by 1.4% from \$199,447,443 in 2013 to \$202,216,733 in 2014.

The increase in net position of the Governmental Activities of \$19.1 million included an increase in total assets of \$22.2 million, as well as an increase in total liabilities of \$3.1 million. This increase was the result of many factors occurring during 2014.

Of the entire increase in total assets of governmental activities, \$8.1 million resulted from an increase in current and other assets, primarily as a result of increased cash, with \$3 million in the General Fund, due in part to increased revenues due to the improved economy and an adjustment of \$5.3 million for the GASB 34 internal service fund allocation.

Also contributing to the increase in Current and Other Assets is an increase of \$1.6 million in Due from Other Governments, primarily in the Local Transportation Fund which showed an

increase of \$1.4 million in grant monies for the Redlands & Alabama Improvement Project and various cycles of Safe Routes to Schools.

Capital Assets increased by \$14.1 million with the majority relating to an increase in Construction in Progress of \$12.1 million, with \$11.6 million of that for street construction projects in the Local Transportation, mostly relating to the City's Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) program, and \$67,000 in the Measure I Fund. Construction costs of \$418,000 were incurred for construction of a Police Data Center. Right of Way increased by \$6.2 million. Other capital asset changes, along with associated depreciation of approximately \$4.3 million, are shown on the Capital Assets schedule in Note 5 of the Notes to the Financial Statements.

On the liability side, long-term debt decreased by \$771,649. This change was the result of debt service payments on bonds that decreased bonds outstanding by \$3,741,715, as well as decreases of \$139,893, \$50,682, \$49,047 and \$741 for capital leases payable, claims payable, the I-Bank Sports Park lease, and compensated absences, respectively. These decreases were offset by an increase of \$3,210,429 in the OPEB Obligation. A schedule of Long-Term Liabilities can be found in Note 6 of the Notes to the Financial Statements and the Other Post-Employment Benefits (OPEB) obligation is further discussed in Note 10.

Other liabilities increased by \$3.9 million. Notable changes in other liabilities included an increase in the Local Transportation Fund accounts payable of \$4.2 million, primarily for payments associated with the PARIS program, and an increase of \$347,904 in Advances Payable in the Public Facilities Fund resulting from an additional loan from the General Fund of \$346,660 and unpaid interest of \$1,244 added to prior non-General loans, all made for the purpose of funding that fund's share of debt service on the City's 2003 Lease Revenue Certificates of Participation. A reduction of \$477,515 occurred in the deposits of Nevada Palmetto Grove sale proceeds for expenditures on various public projects to benefit Parks and Recreation, Trails, Agricultural Open Space, and Other Improvements.

Of the total \$19.1 million increase in governmental activities net position, the amount invested in capital assets increased by \$14.9 million, restricted assets decreased by \$1.8 and Unrestricted assets increased by \$6.0 million.

Net Position for Business-Type Activities increased by \$2.8 million.

Current and Other Assets increased by \$11.5 million. Major contributing factors to the change in Current and Other Assets was a decrease in Water assets and increases in Disposal and Sewer assets. Water assets decreased by approximately \$4.6 million, with the majority of the decrease resulting from a decrease in cash of slightly more than \$6 million, largely due to revenues remaining relatively flat and expenditures increasing, resulting in a reduction in net income of \$1.5 million. Also contributing to Water's decline in cash was the increase of \$6.4 million in transfers out to other funds, primarily to fund various water facilities and pipeline projects, offset by a positive adjustment of over \$2 million to eliminate a prior year extraordinary loss as discussed in Note 16 and 17 of the Notes to the Financial Statements.

Disposal assets, increased by \$13.5 million, primarily resulting from an increase of \$16.3 million in cash with fiscal agent associated with the issuance of the 2013A Solid Waste Revenue bonds, offset by a reduction of \$2.8 million in cash, primarily resulting from transfers to the Local Transportation Fund in support of the PARIS program for its share of street impacts caused by the heavy solid waste vehicles on City streets.

Sewer assets increased slightly, by \$1.4 million, primarily due to an increase from prior year of slightly over \$1 million in impact fee revenue and more than \$400,000 in revenues from services.

Capital assets increased by \$10.9 million. The majority of this increase was in the Water Fund which increased by \$10.3 million. Construction in Progress in the Water Fund was \$11.8 million and included \$2.6 million for the SCADA System Upgrade Project, \$2 million for the Highline Relocation Phase I Project, \$1.5 million for the Dearborn Reservoir Roof Rehabilitation Project, \$1.3 million for the 2013 Water CIP Phase I Project, \$864,000 for Local Water Mains, \$810,000 for various pipeline replacements, \$781,000 for the Water CIP Phase II Project, \$675,000 for Hinckley Construction Improvements, \$646,000 for valve and service replacements, \$381,000 for Arroyo Reservoir Project, and \$250,000 on other miscellaneous water rehabilitation projects, and \$83,000 for its share of the costs of the Data Center. Rolling Stock in Water increased by \$362,000, with \$170,000 for an F650 Duty Service Truck, \$124,000 for three ½ ton trucks and \$68,000 for two SUVs. Water Stock increased by \$300,000.

In Sewer, Construction in Progress increased by \$848,000, with \$798,000 for the 2013 Sewer CIP Project, \$37,000 for its share of the Data Center and \$13,000 for the Cypress Sewer Repair Project. In the Disposal Fund, rolling stock increased by \$1.7 million which included \$1.5 million for five side loading trash trucks, \$73,000 for three F150 trucks, \$65,000 for three Rapid Lift Assemblies, and \$25,000 for one four-wheel drive SUV. Construction in Progress increased by \$73,000 for Disposal's share of the Data Center.

Other reductions for deleted assets and depreciation are detailed in the Capital Assets schedule for business-type activities contained in Note 5 of the Notes to the Financial Statements.

Total liabilities of the business activities increased by \$19.7 million, with long-term debt outstanding increasing by \$18.1 million. The latter included increases of \$2,129,656 for the OPEB obligation, \$123,625 in compensated absences, \$273,636 for the landfill closure liability, and a decrease in the capital lease payable of \$114,424. Revenue bonds outstanding had a net increase of almost \$13 million resulting from the issuance of \$15,355,635 in 2013A Solid Waste Revenue Bonds, offset by annual debt service payments of \$2,134,710 on the 2012A Water and Wastewater Revenue bonds and amortization of \$223,332 on the Solid Waste Bond premium. Overall, notes payable increased by \$2,701,748, including annual payments on existing notes and the addition of \$3,370,789 in a note payable associated with the Hinckley Water Treatment Plant upgrade. Further details of these debts are outlined in Note 6 of the Notes to the Financial Statements.

Other liabilities of the business activities increased by slightly more than \$1.5 million.

Of the total \$2.8 million increase in business-type activities, the amount invested in capital assets increased by \$10.5 million, while restricted assets increased by \$3.3 million in the Water Fund, with \$3,240,000 for capital projects and \$462,600 for debt service. Unrestricted assets decreased by \$11 million.

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

CITY OF REDLANDS
Change in Net Position – Year Ended June 30, 2014

Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$ 14,251,677	\$ 12,136,605	\$ 46,338,314	\$ 43,457,394	\$ 60,589,991	\$ 55,593,999
Operating Contributions & Grants	7,195,092	4,032,286	180,000	24,285	7,375,092	4,056,571
Capital Contributions & Grants	2,117,482	987,916	3,433,586	2,233,877	5,551,068	3,221,793
General Revenues:						
Property Taxes	24,650,592	23,536,133	34,597	41,673	24,685,189	23,577,806
Sales Taxes	15,219,210	15,049,517	-	-	15,219,210	15,049,517
Franchises	3,235,114	2,853,021	-	-	3,235,114	2,853,021
Other Taxes	1,473,576	1,313,022	-	-	1,473,576	1,313,022
Use of Money and Property	517,169	58,972	1,053,356	185,475	1,570,525	244,447
Other	689,160	2,496,060	1,032,469	3,686,367	1,721,629	6,182,427
Gain on Sale of Capital Asset	-	151,116	28,334	9,736,268	28,334	9,887,384
Intergovernmental	165,974	153,836	-	-	-	153,836
Total Revenues	69,515,046	62,768,484	52,100,656	59,365,339	121,615,702	122,133,823
Program Expenses:						
General Government	10,423,298	9,883,877	-	-	10,423,298	9,883,877
Public Safety	40,235,772	40,027,122	-	-	40,235,772	40,027,122
Culture and Recreation	3,041,620	2,997,558	-	-	3,041,620	2,997,558
Highways and Streets	4,002,946	6,839,184	-	-	4,002,946	6,839,184
Library	1,913,756	1,968,343	-	-	1,913,756	1,968,343
Interest on Long-term Debt	1,447,056	1,589,928	-	-	1,447,056	1,589,928
Water	-	-	19,437,970	20,139,662	19,437,970	20,139,662
Disposal	-	-	11,131,004	10,313,939	11,131,004	10,313,939
Sewer	-	-	8,505,197	8,080,035	8,505,197	8,080,035
Groves	-	-	630,488	12,006,971	630,488	12,006,971
Non-Potable Water	-	-	81,897	197,393	81,897	197,393
Cemetery	-	-	493,616	555,402	493,616	555,402
Aviation	-	-	421,012	317,970	421,012	317,970
Total Expenses	61,064,448	63,306,012	40,701,184	51,611,372	101,765,632	114,917,384
Increase in Net Position before Extraordinary Gain and Transfers	8,450,598	(537,528)	11,399,472	7,753,967	19,850,070	7,216,439
Extraordinary Gain	-	-	2,024,168	-	2,024,168	-
Transfers	10,654,350	5,841,908	(10,654,350)	(5,841,908)	-	-
Increase (decrease) Net Position	19,104,948	5,304,380	2,769,290	1,912,059	21,874,238	7,216,439
Beginning Net Position	587,831,519	582,550,163	199,447,443	198,014,174	787,278,962	780,564,337
Restatement of Net Position	(33,695)	(23,024)	-	(478,790)	(33,695)	(501,814)
Ending Net Position	\$ 606,902,772	\$ 587,831,519	\$ 202,216,733	\$ 199,447,443	\$ 809,119,505	\$ 787,278,962

Governmental Activities

Revenues for the City's governmental activities increased by \$6,602,600 or 10.5% from \$62,768,484 in 2013 to \$69,371,084 in 2014. Total governmental activity expenses decreased by \$2,385,526, or 3.8%, from \$63,306,012 in 2013 to \$60,920,486 in 2014. The cost of all *government-wide* activities decreased by \$13,295,714, or 11.6%, from \$114,917,384 in 2013 to \$101,621,670 in 2014. As shown in the Statement of Activities, the amount that taxpayers financed for these activities through City taxes was \$37,356,235 while other costs were paid by those who directly benefited from the programs, in the amount of \$14,251,677, by other governments and organizations that subsidized certain programs with operating contributions and

grants, in the amount of \$7,195,092, or capital contributions and grants in the amount of \$2,117,482. Overall, the City's governmental program revenues were \$23,564,251, including intergovernmental aid, fees for services, and contributions from developers.

The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

Charges for services increased by \$2,115,072 or 17.4% in 2014, primarily in General Government which increased by \$1,104,988. The most notable increases in General Government were found in the category of licenses and permits at \$907,000, with revenues from business licenses up \$174,000, building permits up \$347,000 and plan checks up \$202,000. Other General Government charges for services increased by \$199,000, with increases of \$163,000 in general government service charge, \$87,000 in general plan review and \$63,000 in inspections. These were partially offset by decreases in waste import fees and city attorney services reimbursement of \$69,000 and \$37,000, respectively. Public Safety charges for services increased by \$508,829 and included increases of \$125,000 in asset seizure funds, \$73,000 in drug confiscation asset forfeiture, \$84,000 in contract services, \$78,000 in code enforcement/administrative citations, \$65,000 in parking fines, \$44,000 in mutual aid, \$27,000 in rental property inspections, and \$22,000 in false alarm fees. The largest decline was in cost recovery/reimbursed expenditures at \$24,000. An increase of \$547,601 in Highways and Streets was primarily as a result of increases of \$357,000 in revenues from street permits, \$95,000 in NPDES permits, \$53,000 in landfill mitigation revenue, \$26,000 in WQMP review, and \$20,000 in grading and paving permits. Culture and Recreation charges for services decreased by \$47,234, including decreases of \$52,000 in revenue from city classes/programs, offset by an increase of \$10,000 in contract classes. Recycled materials revenue decreased by \$4,000 in this category. Library fines increased by \$888 from prior year.

Operating Contributions and Grants increased by \$3,162,806, or 78.4% from prior year. The largest increase was in Highways and Streets, \$2,433,682 as a result of increases of \$616,000 in State Gas Tax revenues, \$482,000 in federal grant revenue from the Department of Energy: Energy Efficiency Facilities Upgrades, and increases in Local Transportation state and federal grants of \$197,000 and \$132,000, respectively, for Safe Routes to Schools and the federal Highway Safety Improvement Program Cycle 4 (striping), as well as miscellaneous transportation receipts of \$70,000. Other increases included \$76,000 in Community Development Block grants, \$70,000 in emergency service donations, and \$65,000 in Street Replacement Haul Permits. Prior and current year GASB 34 conversion entries to adjust deferred revenues in Highways and Streets resulted in an increase of approximately \$633,000.

Public Safety operating contributions and grants increased by \$470,325. Various state grants increased by \$147,000. Supplemental Law Enforcement increased by \$87,000, while various other Police grants decreased by \$234,000. The remaining increase in operating contributions and grants resulted from conversion entries made in the prior and current years to adjust deferred revenues.

The smallest increase in operating contributions and grants was in General Government at \$258,799, with the majority resulting from federal disaster recovery revenue of \$225,000 for the 2010 Winter Storms, federal reimbursements of \$52,000 of which \$49,000 was for Police drug enforcement overtime and the remainder for Urban Area Security Initiative Fire and Emergency Management training. These increases were offset by a \$20,000 reduction in miscellaneous receipts.

Capital Contributions and Grants increased by \$1,129,566 or 114.3%. The majority of the increase, \$801,000 in Highways and Streets was due to increases in the following impact fees: \$679,000 in Public Facilities, \$147,000 in Freeway Interchanges, \$132,000 in Storm Drain, and

\$21,000 in Traffic Signals. Only Arterial Street impact fees showed a decline of \$179,000. Resident contributions to the Local Transportation Fund for sidewalks increased by \$1,000. Culture and Recreation Capital Contributions and Grants increased by \$329,000 with a \$235,000 increase in Park and Open Space impact fees, and a \$94,000 in Open Space acquisition impact fees.

Property Taxes increased by \$1,114,459 or 4.7%, over prior year. The greatest increase was in the General Fund, \$1,107,512, where current secured taxes, alone, increased by \$757,186. Other increases included \$16,619 in the General Debt Service Fund, \$2,612 in CFD 2004-1 Assessment, and \$417 in Street Lighting District #1. These increases were offset with decreases in Emergency Services and the Landscape Maintenance District of \$10,252 and \$2,449, respectively.

Sales Taxes increased by \$169,693, or 1.1%. The City's general sales tax receipts increased by \$292,502 during the fiscal year due to the improving economy. This increase was offset by a decrease of \$122,809 for Measure I (Fund 210) sales tax receipts from the new Measure I allocation (legislation in 2010 affirmed continuation of Measure I funding and a new fund was established to account for collections subsequent to this legislation). The former Measure I allocation activity is shown in Fund 208.

Franchise Fees increased by \$382,093 or 13.4%. Increases of \$275,338, \$84,079, \$49,824 for the Gas Company, SCE and Verizon, respectively, were offset by a decrease of \$27,148 in revenues from Time Warner.

Other taxes, which include Possessory Interest, Transient Occupancy Tax and Mining Tax, increased by \$160,554 or 12.2%, with these taxes increasing by \$64,495, \$27,469 and \$68,590, respectively. While Possessory Interest and Transient Occupancy taxes had also shown increases in the prior year, Mining Tax had reflected a decrease. The current year increase in Mining Tax may be an indication that this industry is finally recovering from the effects of the sluggish economic climate of recent years.

Use of Money and Property increased by \$458,197 or 777%. Increases included \$413,525 in investment income from all governmental funds, \$19,987 in rental income, and \$15,083 in finance charges. Remaining increases resulted from conversion entries in the current and prior years relating to internal balances.

Other Revenues decreased by \$1,806,900 or 72.4%. The major reason for the decrease in this category was as a result of a prior year transfers of monies, \$2,055,704, to the Open Space Fund, that was subsequently expended on the purchase of open space property, and \$100,000 to the Park and Open Space Fund, which was spent on improvements to Heritage Park, both of which came from deposits held as a result of the sale of the Nevada Palmetto grove. Another small decrease of \$446 was noted in cost recovery reimbursement in the Open Space Fund. Increases of \$345,111 in miscellaneous receipts in the General Fund and \$4,139 in Cemetery Endowment receipts helped to partially offset the decreases.

Gain on Sale of Capital Asset reflects no gain in the current year compared to a gain of \$151,116 in the prior year.

Intergovernmental revenues increased by \$12,138 or 7.9%, with increases of \$30,515 in General Fund motor vehicle license fees, a one-time final payment, and \$3,273 in AB 2766 Air Quality subvention, that were partially offset by a decrease of \$21,650 in State Mandated Cost reimbursements in the General Fund.

General Government expenses increased by \$539,421 or 5.5%. This category of expenses includes many of the City's General Fund departments, as well as some non-General Fund expenses including Downtown Redlands Business Area (236), Community Facilities Assessment District 2004-1 (261), and Disaster Recovery (270). The largest variances in this category are included in General Fund departments: City Council expenses decreased by \$23,697, primarily as a result of an decrease of \$88,318 in legal expenses related to employee bargaining unit negotiations in the prior year; City Clerk decreased by \$29,312, primarily as a result of election year expenses of \$40,436 incurred in the prior year; City Manager increased by \$63,727 as a result of payments of accrued leave balances; Purchasing increased by \$36,520 resulting from the hiring of a new full time position; Building Maintenance increased \$219,377, with increases in electrical costs, repairs and improvements; Development Services - Planning increased by \$166,340 due, in part, to the reallocation of salaries and benefits as a result of the elimination of redevelopment, and the limited amount of administrative costs allowed under the Successor Agency, but also included an increase of \$34,732 in other professional services; Human Resources increased by \$33,665 due to an increase in legal services. Other information about the General Fund will be discussed under the discussion of major funds. Additionally, a major reason for the change in this category from year to year is due to the GASB 34 conversion entries. In the current year, entries included increases for depreciation, \$126,723, and the OPEB obligation, \$265,481, a reduction of \$3,708 for compensated absences, and a reduction of \$869,898 for Internal Service Funds.

Public Safety expenses increased by \$208,650 or 0.5%. In total, Police department expenditures increased by \$846,787. This includes a \$245,976 increase in grant activity. Other increases were noted in General Fund Field Services, \$252,782, primarily due to an increase in banked leave; and Support Services, \$324,821, due to increases in salaries and benefits, worker's compensation and garage charges at \$129,054, \$58,833 and \$229,413, respectively. Fire department expenses, which includes Emergency Services and Household Hazardous Waste programs, increased by \$167,381. While there were variations in all areas, notable increases are in General Fund Suppression payments for banked leave, \$101,330, garage charges, \$43,644, and Emergency Services (paramedic) salaries and related benefits, \$110,209. Also contributing to the net increase in this category are changes in GASB 34 entries from year to year, which for the current year, included decreases of \$14,406 for compensated absences and \$33,100 for Internal Service Funds, and increases of \$1,791,106 for the OPEB obligation and \$858,567 for depreciation. Together, these entries are \$805,506 less than last year.

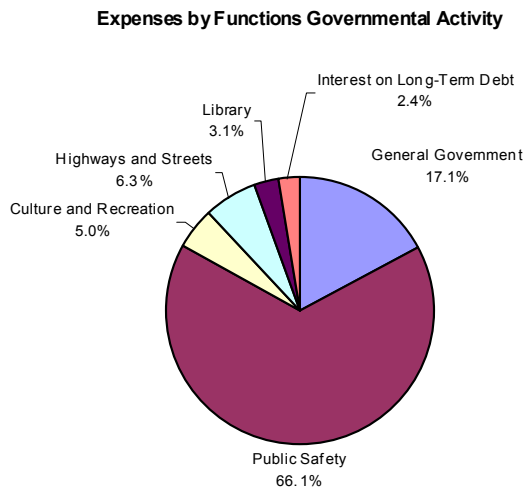
Culture and Recreation expenses increased by \$44,062 or 1.5%. Expenses in the Recreation division increased by \$58,389, primarily as a result of increases in part time salaries, \$38,915, and contractual services, \$30,869. The increase in the Senior Services division of \$23,479 is the result of increases in garage charges, \$12,103, and contractual services, \$13,470. The Parks division increased by \$12,784, with increases noted in salaries and benefits, \$60,336, offset by a decrease in, legal services of \$50,000. Net changes in GASB 34 conversion entries from year to year also impacted the overall change in this category. GASB 34 conversion entries for the current year include decreases of \$1,001 in compensated absences and \$7,615 for Internal Service Funds, with increases of \$151,148 for the OPEB obligation and \$609,659 for depreciation.

Highways and Streets decreased by \$2,836,238 or 41.5%. Overall, expenses in the current year increased by \$1,790,515. The General Fund had overall increases of \$604,494, with increases noted in Engineering and Quality of Life Administration, \$316,651, in Trees and Streets, \$295,261, and a decrease in Electrical and Code Enforcement, \$7,418. Outside of the General Fund, there were increases of \$564,227 in Local Transportation, \$76,053 in Measure I and \$167,262 in the Storm Drain impact fee fund. However, the major reason for the significant

decrease from prior year is due to the year to year net change in GASB 34 entries. In the current year, GASB 34 entries include a small decrease of \$800 for compensated absences and \$7,352 for Internal Service Funds, and increases of \$493,751 for the OPEB obligation and \$4,120,525 in depreciation. A reduction of \$6,689,280 to adjust for infrastructure was also included.

Library expenses decreased by \$54,587, or 2.8%. Current expenses were essentially flat compared to prior year. A GASB 34 conversion entry of \$151,148 for the current year OPEB Obligation, compared to \$205,547 made in the prior year, explains the change.

Interest on Long-Term Debt decreased by \$142,872, or 9%. Interest payments on outstanding debt decreased from prior year by \$183,411. Net changes in conversion entries from prior year, along with current year entries that included a decrease of \$60,695 for interest payable, a decrease of \$48,004 for adjustment for amounts due within one year, and an increase of \$66,289 for current year accreted interest on the Pension Obligation bond also contributed to the overall decrease.



Business-Type Activities

In total, revenues of the City’s Business-Type Activities (See Table 2) decreased by \$7,264,683, or 12.2%, from \$59,365,339 in 2013 to \$52,100,656 in 2014 and expenses decreased by \$10,910,188, or 21.1%, from \$51,611,372 in 2013 to \$40,701,184 in 2014.

Charges for Services in all of the Business-Type Activities increased by \$2,880,920 or 6.6%.

The following reflects the changes in Charges for Services for each of the business-type funds:

Charges for Services in the Water Fund increased by \$1,103,434 or 4.9%, primarily as a result of rate increases of 6% in January, 2012 and January, 2013. No rate increase occurred in 2014. Additionally, as a result of the continued drought experienced by the state, water sales increased in comparison to prior years.

Charges for Services in the Disposal Fund increased by \$954,298 or 8.9%, primarily due to an additional rate increase of 11% effective February, 2013 and January, 2014. No rate increase occurred in 2012.

Charges for Services in the Sewer Fund increased by \$484,309, or 5.3%, primarily due to rate increases of 5% in January, 2012 and January, 2013. No rate increase occurred in 2014.

Charges for services in the Groves Fund increased by \$269,557, or 36.4%, because of favorable market conditions that positively impacted the market for the citrus from City groves.

Charges for services in the Non-Potable Water Fund increased \$41,192, or 8.0%.

Charges for Services in the Cemetery Fund increased by \$30,018, or 8.8%. Increases of \$12,053 in internment fees and \$19,470 for cemetery lots were partially offset by reduced revenues of \$1,825 for crypts.

Charges for Services in the Aviation Fund decreased by \$1,888, or 10.2%. This change is due to variations in the tie-down customer billings and gate access fees.

Operating Contributions and Grants increased by \$155,715, or 641%. The increase is in the Disposal fund, relating to current year funding from the South Coast Air Quality Management District for alternative fuel vehicle purchases.

Capital Contributions and Grants increased by \$1,199,709, or 53.7%. Increases in impact fees were noted in Water, Disposal, and Sewer in the amounts of \$1,233,655, \$169,321, and \$1,010,694, respectively. These increases were offset by a decrease in capital contributions for infrastructure in the Water Fund, \$522,082, and the Sewer Fund, \$176,500, for water and sewer lines. In the Aviation Fund, grant revenues decreased by \$515,379 relating to receipts of FAA Phase III Rehabilitation grant monies in the prior year.

Property taxes decreased by \$7,076, or 17.0% in the Aviation Fund. Unsecured property taxes for aircraft in the current year were \$34,597 compared to \$41,673 in the prior year.

Use of Money and Property increased by \$867,881, or 467.9%. The greatest differences were noted in Water, Disposal and Sewer, with increases of \$258,455, \$397,041 and \$168,565, respectively, resulting from increases in investment earnings due to a combination of stabilized rates of return and the amount of cash available for investment.

Other Revenues decreased by \$2,653,898, or 72.0%, resulting from prior year one-time receipts that included \$2,168,426 in the Water Fund from the sale of Texas Grove Reservoir capacity and \$653,677 in the Disposal Fund from SCE for the landfill cell expansion.

Gain on Sale of Property decreased from prior year by \$9,707,934 which was the result of the Nevada Palmetto grove sale.

Operating expenses of the City's Business Activities, taken from the Statement of Revenues, Expenses, and Changes in Fund Net Position, increased for Water by \$1,459,693, or 8.3%, for

Disposal by \$434,275, or 4.3% and Sewer by \$661,790, or 8.7%. The increase in the Water Fund was due to increased costs in most categories, with the majority of the increases noted in administration and general, transmission, distribution & treatment, and personnel services, at \$362,712, \$587,411, and \$677,308, respectively. The state drought condition resulted in increased water demands which corresponded to increased sales, and in turn, an increase in costs associated with the water treatment, pumping and distribution. Disposal also increased in administration and general and personnel services, at \$1,014,071 and \$273,205, respectively. These increases were offset by decreases in repairs and maintenance and depreciation expenses. Sewer personnel services and administration and general increased by \$180,273 and \$580,818, respectively, while a reduction of \$141,914 was noted in utility plant operations.

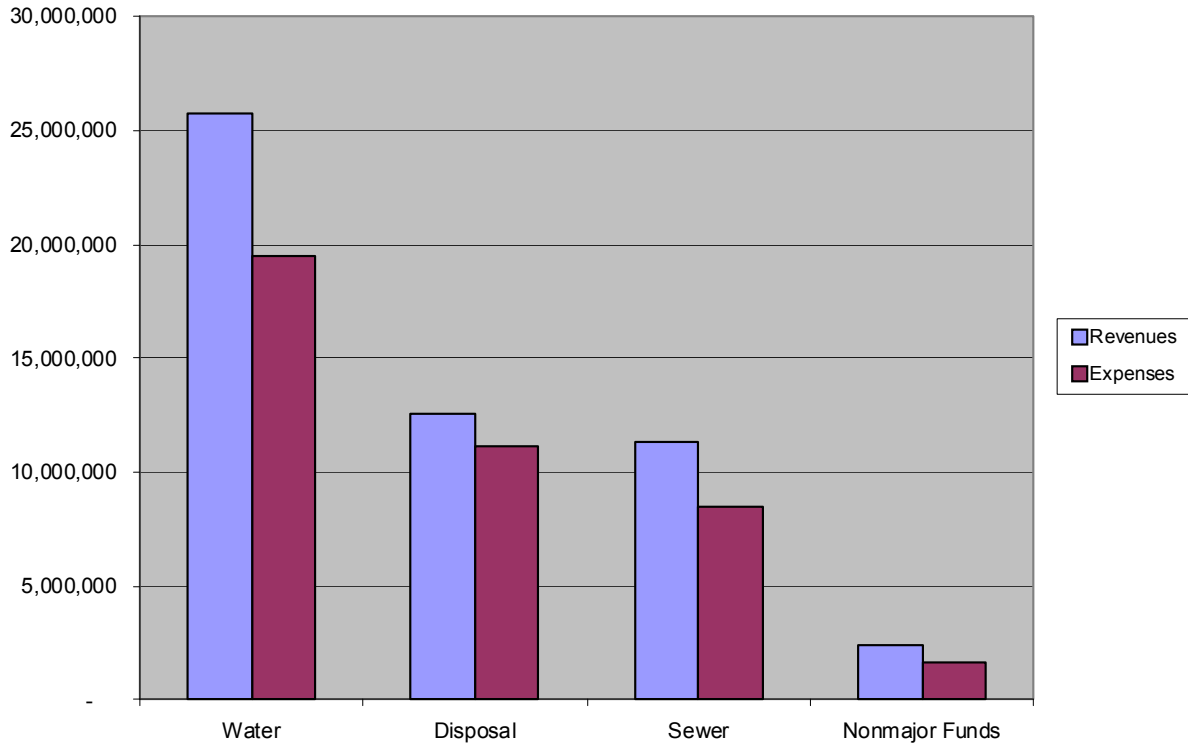
In the prior year, the Groves Fund was classified as a major Enterprise Fund due to the dollar amount of the activity associated with the sale of the Nevada Palmetto grove. This year the fund is again classified with the Other Enterprise Funds. Operating expenses in the fund increased over prior year by \$44,394, primarily in administration and general expense.

In the Aviation Fund, operating expenses increased, by \$76,133, or 22.0%. Increases were in all categories, with the greatest increase found in administration and general at \$47,261.

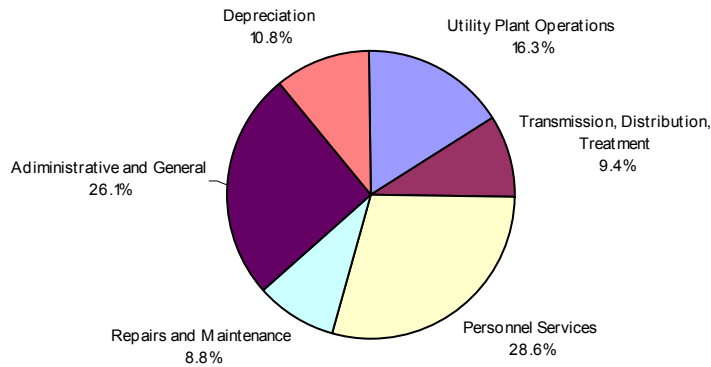
Cemetery operating expenses decreased by \$62,618, or 11.3%. The greatest differences include a decrease of \$35,991 in administration and general and \$31,470 in personnel services.

Operating expenses of the Non-Potable Water Fund decreased \$115,496, or 58.5%. This was due to a decrease in system repairs that were required in the prior year.

Expenses and Program Revenues - Business-type Activities



Operating Expenses - Business-type Activities



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 June 2014, the total fund balance reported for the general fund was \$28,347,678, an

increase of \$2,903,275, or 11.4%, from the prior year fund balance of \$25,444,403. As a measure of the general fund's liquidity, it can be useful to compare the total fund balance to total fund expenditures, which show that fund balance is 55.5% of general fund expenditures, however only \$12,586,391 of the \$28.3 million fund balance is unassigned. The unassigned fund balance of \$12.6 million, together with the \$7.9 million fund balance committed to stabilization arrangement (contingencies), is the only portion of fund balance readily available for spending and represents 40.1% of general fund expenditures. With the changes in reporting fund equity required by GASB 54, included in the unassigned balance is \$1,763,604 of designated receipts, which are held in a separate fund that was previously reported as a special revenue fund. When the \$1.8 million of designated receipts are excluded, \$10,822,787 is unassigned, resulting in an available general fund balance of 36.7% of expenditures when added to the \$7.9 million of committed fund balance. Total general fund expenditures this year were \$2,251,774, or 4.6% greater than prior year and total general fund revenues were \$4,523,697, or 8.8% greater than prior year.

Significant changes in the revenues of the City's General Fund from the prior year are as follows:

- Sales Taxes increased by \$292,502 from prior year with increases in the state sales tax compensation allocation and the Bradley Burns sales tax at \$100,053 and \$151,979, respectively; Public Safety Sales Tax (Prop. 172) increased by \$40,470.
- Property Taxes increased by \$1,107,512, primarily due to an increase of \$757,186 in current secured taxes, an increase in supplemental secured of \$153,169 and an increase of \$137,449 in prior year secured taxes.
- Franchise Fees increased \$382,093. As previously discussed, fees from SCE, the Gas Company and Verizon increased, while fees from Time Warner decreased.
- "Other" Taxes increased a total of \$160,554, with increases of \$27,469 in Transient Occupancy Taxes, \$64,495 in Possessory Interest, and \$68,590 in Mining Taxes.
- Licenses and Permits reflect an increase of \$1,387,097, mostly due to the increase in business license revenue, \$173,875, building permits, \$347,336, street permits, \$357,055, and plan checks, \$202,036.
- Intergovernmental Revenues increased by a net amount of \$83,161, primarily the result of an increase in federal reimbursements of \$74,296. State mandated cost reimbursements decreased by \$21,961, offset by an unexpected final payment of \$30,515 in motor vehicle license fees, which have been eliminated.
- Charges for Services reflect an overall increase of \$483,680 from prior year. While there are variations over and under in each revenue account, the most significant increases include \$163,383 in general government service charges, \$86,555 in general plan reviews, \$63,159 in inspections, \$77,720 in administrative citations, \$84,129 in contract service charges and an increase of \$52,910 in landfill mitigation revenue. The most significant declines include \$68,813 in waste import fees, \$52,367 in City class receipts and \$86,488 in various departmental service reimbursements.
- Use of Money and Property increased by \$281,987, with an increase of \$256,611 in investment income, \$15,083 in finance charges, \$20,017 in rental income and a decrease of \$9,724 in sale of surplus property.
- Miscellaneous Revenue increased by \$345,111 which is the result of an increase in reimbursements from designated deposits for the reimbursement of special projects.

The **Local Transportation** fund accounts for the receipt and expenditure of street and road construction funds including the City's Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) program. Expenditures in this fund were \$12,671,865, a portion of which was funded with the proceeds of the Solid Waste Bonds issued as a result of the significant impact

that Solid Waste vehicles have on the City's streets. This is an increase of \$9,601,444 from last year, or 312.7%.

The **Public Facilities Development** fund accounts for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities. This fund holds Advances Payable to other funds totaling \$8,099,184. The funds and amounts owed include the General Fund in the amount of \$7,584,490, the Open Space Fund and Park and Open Space Development Fund, \$131,196 each, the Storm Drain Construction Fund, \$100,920, and the Water Fund, \$151,382. This is an increase from last year of \$347,904 due to a need for new advances to the Library and General Government funds. The decrease in fund balance/net position results primarily from the transfer to the General Fund of \$121,685 for Fire equipment lease payments and the continued lack of development activity sufficient to cover debt service obligations.

Major Enterprise Funds. The **Water Fund** has a total net position of \$116,049,927 at the end of the fiscal year; \$15,246,950 is unrestricted. The **Disposal Fund** has a total net position of \$18,328,894 at the end of the fiscal year; \$8,267,295 is unrestricted. The **Sewer Fund** has a total net position of \$47,964,090 at the end of the fiscal year; \$16,150,524 is unrestricted. These funds account for the respective utility services provided by the City. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the Adopted Budget and the final amended 2013-2014 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$3,534,256 increase in the budget.
- General Government - \$425,917 increase in the budget
- Public Safety - \$488,898 increase in the budget.
- Culture and Recreation - \$15,020 increase in the budget.
- Highways and Streets - \$95,204 increase in the budget.
- Library – \$72,070 decrease in the budget.
- Capital Outlay - \$2,045,727 increase in the budget.
- Debt Service – no change in the budget.

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
Total Revenues	\$ 54,849,627	\$ 55,914,674	\$ 1,065,047
General Government	11,020,662	10,117,536	903,126
Public Safety	31,811,094	31,925,143	(114,049)
Culture and Recreation	2,197,677	2,258,498	(60,821)
Highways and Streets	3,683,130	3,749,900	(66,770)
Library	1,658,190	1,762,608	(104,418)
Capital Outlay	2,343,947	1,118,328	1,225,619
Debt Service	121,685	121,685	-
Total Expenditures	\$ 52,836,385	\$ 51,053,698	\$ 1,782,687

Actual revenues were over the amended budget estimates by \$1,065,047. The largest increase was in the Taxes category at \$1,088,229. The Charges for Services category ended the fiscal year over budget by \$248,172, as did Use of Money and Property by \$83,475. Licenses and Permits exceeded budget estimates by \$331,268. Intergovernmental and Miscellaneous categories ended under budget estimates by \$111,945, and \$723,025, respectively. These two revenues include amounts tied to reimbursement for specific project activity that had not been completed by the end of the fiscal year. Overall, actual revenues exceeded the original adopted budget by \$4,599,303 and were \$4,709,320 higher than prior year actual amounts. This is due to the conservative approach taken to estimate revenues and provide stabilization in economic conditions.

General Government expenditures ended the year under budget by 8.2%. This is a result of savings achieved in most departments totaling \$918,765, offset by an overage in City Council of \$15,639.

Public Safety expenditures were over budget by \$114,049, or .4%. The Police Department ended over \$3,981, while the Fire Department was over \$110,068. This was due to an unexpected payment to the State in the amount of \$73,000 and additional internal services fund charges required for the workers compensation fund.

This fiscal year, Highways and Streets expenditures ended over budget by \$66,770. This increase was largely due to a settlement payment in the amount of \$113,000, offset by overall savings in the Quality of Life Divisions and Engineering. Together, expenditures resulted in an increase over budget of 1.8%.

Overall, Culture and Recreation was over budget as a result of increases in the services categories of Recreation and Senior Services in the Community Services Division, offset by savings in the services and supplies of the Parks Division. Together they came in over budget with a net increase at the end of the year of \$60,821, or 2.8%.

Library expenditures were over budget by \$104,418, or 6.3% at year-end. This was due to an increase in insurance payments of \$32,779 and an increase in the payoff of accrued leave balances.

Actual capital expenditures were under budget by \$1,225,619, or 52.3% at year-end. This is due to the budgeting for various equipment purchases and park, street and storm drain improvements which had not yet been spent by June 30. These balances will be carried into the new fiscal year.

There were no variations from the budget in the Debt Service principal and interest payments.

The overall favorable variance of \$1,782,687, or 3.4%, was achieved by careful review and monitoring of expenditures in all categories, by all departments. With the economic conditions existing over the last few years, budget monitoring has become more critical than ever before, requiring the cooperative efforts of management and staff at every level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$792,888,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, water stock, rights of way and construction in progress.

Major capital asset events during the current fiscal year include the following:

The City recognized a net change in construction in progress totaling \$19,189,683. Of this amount, street construction totaled \$11,654,377 and includes various resurfacing and sidewalk improvements, but was largely a result of the City beginning its Pavement Accelerated Rehabilitation Strategy (PARIS) program. The net increase in Water construction in progress totaled \$11,838,114 for treatment plant upgrades, well and reservoir rehabilitation and pipeline replacement projects. Also, as a part of the completion of new street and utility infrastructure activity, \$5,854,181, the City recognized an increase of \$6,200,484 in rights of way. Buildings and improvements increased by \$578,796. These include improvements to park restrooms and parking lots, \$294,030, and construction of a building to house communication equipment (Data Center), \$167,871. Other activity included the purchase of water stock, \$300,000, and restatement of accumulated depreciation beginning balances.

Overall, the City's net capital assets increased by \$25,006,636 for the fiscal year ended June 30, 2014, or 3.26% over prior year. This increase includes net depreciation changes of \$8,587,185 in the current year.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2014	2013	2014	2013	2014	2013	Percent of Change
Land	\$ 29,581,544	\$ 29,547,984	\$ 28,325,632	\$ 28,325,632	\$ 57,907,176	\$ 57,873,616	0.06%
Buildings & Improvements	21,519,092	20,940,296	84,524,441	84,524,441	106,043,533	105,464,737	0.55%
Machinery/Equip./Vehicles	19,129,999	19,593,586	16,707,103	14,806,399	35,837,102	34,399,985	4.18%
Infrastructure	188,246,264	187,329,185	136,483,417	131,546,315	324,729,681	318,875,500	1.84%
Water Stock	408,125	408,125	9,581,460	9,281,460	9,989,585	9,689,585	3.10%
Rights of Way	437,893,258	431,692,774	-	-	437,893,258	431,692,774	1.44%
Construction in Progress	25,270,714	14,124,958	47,182,429	39,138,502	72,453,143	53,263,460	36.03%
Accum. Depreciation	(110,416,173)	(106,130,761)	(141,549,207)	(137,247,434)	(251,965,380)	(243,378,195)	3.53%
Total	\$ 611,632,823	\$ 597,506,147	\$ 181,255,275	\$ 170,375,315	\$ 792,888,098	\$ 767,881,462	3.26%

Internal Service Fund capital assets, in the net amount of \$213,225 are included in Governmental Activities.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Additional information on the City's Capital Assets can be found in Note 5 of the Notes to the Basic Financial Statements.

Long-Term Liabilities

Major Long-Term liability events during the current fiscal year include the following:

- In Fiscal Year 2012, the City began drawing on an approved \$13,663,033 State Revolving Fund Loan with the State Department of Public Health for water treatment plant upgrades; \$9,766,030 was disbursed through June 30, 2014.
- The current year net increase in OPEB obligation reported as required by GASB 45 totals \$5,340,085.
- The City experienced an increase of \$122,884 in compensated absences.
- There was a decrease to the claims payable liability in the amount of \$50,682.
- Payments of \$8,992,405 for principal and \$3,414,362 for interest were made on existing debt.
- In 2013, the City issued \$13,500,000 in Solid Waste Revenue Bonds, at a premium of \$1,855,635, to finance its share of a major street reconstruction program.

Long-Term Liabilities for governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent of Change
	2014	2013	2014	2013	2014	2013	
Capital Lease Obligations	\$ 405,880	\$ 545,773	\$ -	\$ 114,424	\$ 405,880	\$ 660,197	-38.52%
General Obligation Bonds	-	585,000	-	-	-	585,000	-100.00%
Taxable Pension Bonds	19,966,684	21,400,395	-	-	19,966,684	21,400,395	-6.70%
Certificates of Participation	4,885,000	6,560,000	-	-	4,885,000	6,560,000	-25.53%
Add: Issuance Premium	192,018	240,022	-	-	192,018	240,022	-20.00%
Revenue Bonds	-	-	19,630,000	8,135,000	19,630,000	8,135,000	141.30%
Add: Issuance Premium	-	-	1,906,947	404,354	1,906,947	404,354	371.60%
Notes Payable	-	-	17,496,799	14,795,051	17,496,799	14,795,051	18.26%
Lease Payable	1,671,571	1,720,618	-	-	1,671,571	1,720,618	-2.85%
Claims Payable	3,389,318	3,440,000	-	-	3,389,318	3,440,000	-1.47%
Compensated Absences	7,110,620	7,111,361	1,043,298	919,673	8,153,918	8,031,034	1.53%
Net OPEB Obligation	16,784,370	13,573,941	8,617,023	6,487,367	25,401,393	20,061,308	26.62%
Landfill Closure Liability	-	-	6,824,543	6,550,907	6,824,543	6,550,907	4.18%
Total	\$ 54,405,461	\$ 55,177,110	\$ 55,518,610	\$ 37,406,776	\$ 109,924,071	\$ 92,583,886	18.73%

Additional information on the City's long-term liabilities can be found in Notes 6, 7, 10 and 13 of the Notes to the Basic Financial Statements.

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CITY OF REDLANDS

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 61,262,938	\$ 52,782,787	\$ 114,045,725
Cash and investments with fiscal agent	1,983,100	18,098,491	20,081,591
Receivables:			
Accounts	954,251	6,349,332	7,303,583
Taxes	2,840,250	-	2,840,250
Internal balances	(1,643,634)	1,643,634	-
Prepaid costs	309,941	104,577	414,518
Due from other governments	3,172,880	25,342	3,198,222
Inventories	143,262	-	143,262
Due from Successor Agency	-	3,024,060	3,024,060
Capital assets not being depreciated	493,153,641	85,089,521	578,243,162
Capital assets, net of depreciation	118,479,182	96,165,754	214,644,936
Total Assets	680,655,811	263,283,498	943,939,309
Liabilities:			
Accounts payable	6,380,555	2,953,111	9,333,666
Accrued liabilities	2,949,662	748,384	3,698,046
Accrued interest	556,865	322,473	879,338
Unearned revenue	219,553	66,008	285,561
Deposits payable	9,240,943	1,458,179	10,699,122
Noncurrent liabilities:			
Due within one year	8,597,070	4,797,266	13,394,336
Due in more than one year	45,808,391	50,721,344	96,529,735
Total Liabilities	73,753,039	61,066,765	134,819,804
Net Position:			
Net investment in capital assets	609,555,372	157,413,884	766,969,256
Restricted for:			
Public safety	1,455,615	-	1,455,615
Highway and streets	2,222,339	-	2,222,339
Capital projects	8,587,548	3,240,000	11,827,548
Debt service	3,926,099	462,600	4,388,699
Endowment - nonexpendable	2,025,222	-	2,025,222
CFD Assessment	148,687	-	148,687
Unrestricted	(21,018,110)	41,100,249	20,082,139
Total Net Position	\$ 606,902,772	\$ 202,216,733	\$ 809,119,505

CITY OF REDLANDS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 10,423,298	\$ 10,286,376	\$ 414,634	\$ -
Public safety	40,235,772	1,916,750	1,548,242	-
Culture and recreation	3,041,620	296,386	-	471,724
Highway and streets	4,002,946	1,716,965	5,232,216	1,645,758
Library	1,913,756	35,200	-	-
Interest on long-term debt	1,447,056	-	-	-
Total Governmental Activities	61,064,448	14,251,677	7,195,092	2,117,482
Business-Type Activities:				
Water	19,437,970	23,453,512	-	1,573,829
Disposal	11,131,004	11,623,769	180,000	321,411
Sewer	8,505,197	9,576,740	-	1,518,346
Groves	630,488	740,707	-	-
Non-Potable Water	81,897	554,914	-	-
Cemetery	493,616	371,968	-	-
Aviation	421,012	16,704	-	20,000
Total Business-Type Activities	40,701,184	46,338,314	180,000	3,433,586
Total Primary Government	\$ 101,765,632	\$ 60,589,991	\$ 7,375,092	\$ 5,551,068

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise taxes

Other taxes

Use of money and property

Other

Gain on sale of capital asset

Intergovernmental (unrestricted)

Extraordinary gain/(loss)

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at End of Year

**Net (Expenses) Revenues and Changes in Net
Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 277,712	\$ -	\$ 277,712
(36,770,780)	-	(36,770,780)
(2,273,510)	-	(2,273,510)
4,591,993	-	4,591,993
(1,878,556)	-	(1,878,556)
(1,447,056)	-	(1,447,056)
(37,500,197)	-	(37,500,197)
-	5,589,371	5,589,371
-	994,176	994,176
-	2,589,889	2,589,889
-	110,219	110,219
-	473,017	473,017
-	(121,648)	(121,648)
-	(384,308)	(384,308)
-	9,250,716	9,250,716
(37,500,197)	9,250,716	(28,249,481)
24,650,592	34,597	24,685,189
15,219,210	-	15,219,210
3,235,114	-	3,235,114
1,473,576	-	1,473,576
517,169	1,053,356	1,570,525
689,160	1,032,469	1,721,629
-	28,334	28,334
165,974	-	165,974
-	2,024,168	2,024,168
10,654,350	(10,654,350)	-
56,605,145	(6,481,426)	50,123,719
19,104,948	2,769,290	21,874,238
587,831,519	199,447,443	787,278,962
(33,695)	-	(33,695)
\$ 606,902,772	\$ 202,216,733	\$ 809,119,505

CITY OF REDLANDS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Special Revenue Funds		Other Governmental Funds
		Local Transportation	Public Facilities Development	
Assets:				
Cash and investments	\$ 28,855,931	\$ 4,633,644	\$ 129,398	\$ 22,295,491
Cash and investments with fiscal agents	-	-	-	1,983,100
Receivables:				
Accounts	853,804	-	-	58,096
Taxes	2,435,780	-	-	404,470
Prepaid costs	273,143	-	-	21,561
Due from other governments	240,860	2,264,356	-	666,253
Due from other funds	807,876	-	-	-
Advances to other funds	7,584,490	-	-	363,312
Total Assets	\$ 41,051,884	\$ 6,898,000	\$ 129,398	\$ 25,792,283
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,006,486	\$ 4,651,809	\$ -	\$ 188,175
Accrued payroll	2,545,270	22,458	-	253,695
Unearned revenues	16,657	-	-	202,896
Deposits payable	9,065,849	-	-	175,094
Due to other funds	-	-	-	807,876
Advances from other funds	-	-	8,099,184	-
Total Liabilities	12,634,262	4,674,267	8,099,184	1,627,736
Deferred Inflows of Resources:				
Unavailable revenues	69,944	1,186,787	-	452,551
Total Deferred Inflows of Resources	69,944	1,186,787	-	452,551
Fund Balances:				
Nonspendable	7,857,633	-	-	384,873
Restricted	-	1,036,946	-	17,328,564
Committed	7,903,654	-	-	6,816,041
Unassigned	12,586,391	-	(7,969,786)	(817,482)
Total Fund Balances	28,347,678	1,036,946	(7,969,786)	23,711,996
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,051,884	\$ 6,898,000	\$ 129,398	\$ 25,792,283

CITY OF REDLANDS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Total Governmental Funds
Assets:	
Cash and investments	\$ 55,914,464
Cash and investments with fiscal agents	1,983,100
Receivables:	
Accounts	911,900
Taxes	2,840,250
Prepaid costs	294,704
Due from other governments	3,171,469
Due from other funds	807,876
Advances to other funds	7,947,802
	<u>1,947,802</u>
Total Assets	<u>\$ 73,871,565</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 5,846,470
Accrued payroll	2,821,423
Unearned revenues	219,553
Deposits payable	9,240,943
Due to other funds	807,876
Advances from other funds	8,099,184
	<u>27,035,449</u>
Total Liabilities	<u>27,035,449</u>
Deferred Inflows of Resources:	
Unavailable revenues	1,709,282
	<u>1,709,282</u>
Total Deferred Inflows of Resources	<u>1,709,282</u>
Fund Balances:	
Nonspendable	8,242,506
Restricted	18,365,510
Committed	14,719,695
Unassigned	3,799,123
	<u>45,126,834</u>
Total Fund Balances	<u>45,126,834</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 73,871,565</u>

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CITY OF REDLANDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances of governmental funds \$ 45,126,834

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

Capital assets net of depreciation have not been included as financial resources in governmental fund activity. 611,419,598

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

Capital leases payable	\$ (405,880)	
Taxable pension funding bonds	(19,966,684)	
Certificates of participation payable	(4,885,000)	
Unamortized bond premiums/discounts	(192,018)	
I-Bank Sports Park lease	(1,671,571)	
Compensated Absences	<u>(6,695,888)</u>	(33,817,041)

Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability. (14,669,612)

Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds. (556,865)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 1,709,282

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. (2,309,424)

Net Position of governmental activities \$ 606,902,772

CITY OF REDLANDS

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	General	Local Transportation	Public Facilities Development	Other Governmental Funds
Revenues:				
Taxes	\$ 41,567,229	\$ -	\$ -	\$ 3,011,263
Licenses and permits	6,300,962	-	891,944	1,475,339
Intergovernmental	154,700	1,334,588	-	4,816,086
Charges for services	6,796,491	-	-	390,079
Use of money and property	286,267	14,295	-	190,815
Miscellaneous	623,400	70,108	-	778,840
Total Revenues	55,729,049	1,418,991	891,944	10,662,422
Expenditures:				
Current:				
General government	10,117,536	-	-	444,884
Public safety	31,925,143	-	-	5,708,462
Culture and recreation	2,258,498	-	-	373,394
Highway and streets	3,749,900	1,108,850	17,839	1,036,618
Library	1,762,608	-	-	-
Capital outlay	1,118,328	11,563,015	-	750,184
Debt service:				
Principal retirement	102,628	-	-	3,846,312
Interest and fiscal charges	19,057	-	1,979	1,468,430
Total Expenditures	51,053,698	12,671,865	19,818	13,628,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,675,351	(11,252,874)	872,126	(2,965,862)
Other Financing Sources (Uses):				
Transfers in	4,605,501	8,682,798	-	7,504,624
Transfers out	(6,563,202)	(7,038)	(1,090,632)	(2,526,773)
Proceeds from sale of capital asset	185,625	-	-	-
Total Other Financing Sources (Uses)	(1,772,076)	8,675,760	(1,090,632)	4,977,851
Net Change in Fund Balances	2,903,275	(2,577,114)	(218,506)	2,011,989
Fund Balances, Beginning of Year, as previously reported	25,478,098	3,614,060	(7,751,280)	21,700,007
Restatements	(33,695)	-	-	-
Fund Balances, Beginning of Year, as restated	25,444,403	3,614,060	(7,751,280)	21,700,007
Fund Balances, End of Year	\$ 28,347,678	\$ 1,036,946	\$ (7,969,786)	\$ 23,711,996

CITY OF REDLANDS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Total Governmental Funds
Revenues:	
Taxes	\$ 44,578,492
Licenses and permits	8,668,245
Intergovernmental	6,305,374
Charges for services	7,186,570
Use of money and property	491,377
Miscellaneous	1,472,348
	<hr/>
Total Revenues	68,702,406
	<hr/>
Expenditures:	
Current:	
General government	10,562,420
Public safety	37,633,605
Culture and recreation	2,631,892
Highway and streets	5,913,207
Library	1,762,608
Capital outlay	13,431,527
Debt service:	
Principal retirement	3,948,940
Interest and fiscal charges	1,489,466
	<hr/>
Total Expenditures	77,373,665
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,671,259)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	20,792,923
Transfers out	(10,187,645)
Proceeds from sale of capital asset	185,625
	<hr/>
Total Other Financing Sources (Uses)	10,790,903
	<hr/>
Net Change in Fund Balances	2,119,644
	<hr/>
Fund Balances, Beginning of Year, as previously reported	43,040,885
Restatements	(33,695)
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Fund Balances, Beginning of Year, as restated	43,007,190
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Fund Balances, End of Year	\$ 45,126,834
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CITY OF REDLANDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 2,119,644

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 20,091,874	
Depreciation	(5,715,474)	
Disposals	<u>(329,587)</u>	
		14,046,813

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

Principal repayments on capital leases	139,893	
Principal repayments on general obligation bonds	585,000	
Principal repayments on certificates of participation	1,675,000	
Principal repayment of I-Bank Sports Park lease	49,047	
Amortization of bond premiums/discounts	48,004	
Principal repayments on taxable pension obligation bonds	1,500,000	
Accredited interest on taxable pension obligation bonds	<u>(66,289)</u>	
		3,930,655

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 60,695

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 20,098

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (2,852,634)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 786,848

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 992,829

Change in net position of governmental activities \$ 19,104,948

CITY OF REDLANDS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Disposal	Sewer	Other Enterprise Funds
Assets:				
Current:				
Cash and investments	\$ 17,871,548	\$ 14,735,118	\$ 17,058,999	\$ 3,117,122
Receivables:				
Accounts	3,433,061	1,627,413	1,263,766	25,092
Prepaid costs	46,192	31,350	23,843	3,192
Due from Successor Agency	3,024,060	-	-	-
Due from other governments	2,613	21,351	1,128	250
Inventories	-	-	-	-
Total Current Assets	24,377,474	16,415,232	18,347,736	3,145,656
Noncurrent:				
Advances to other funds	1,364,794	1,022,796	-	-
Capital assets - net of accumulated depreciation	113,527,010	10,001,547	39,288,376	18,438,342
Cash and investment with fiscal agent	996,264	16,302,667	799,560	-
Total Noncurrent Assets	115,888,068	27,327,010	40,087,936	18,438,342
Total Assets	\$ 140,265,542	\$ 43,742,242	\$ 58,435,672	\$ 21,583,998
Liabilities and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 2,196,739	\$ 379,736	\$ 312,843	\$ 63,793
Accrued payroll	339,808	206,738	178,868	22,970
Interest payable	25,707	201,867	94,899	-
Unearned revenues	-	66,008	-	-
Deposits payable	739,556	-	-	718,623
Landfill closure	-	285,066	-	-
Accrued compensated absences	369,831	228,881	188,928	9,718
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	1,568,415	1,115,000	1,178,212	-
Total Current Liabilities	5,240,056	2,483,296	1,953,750	815,104
Noncurrent:				
Advances from other funds	-	-	-	2,236,208
Accrued compensated absences	193,342	43,386	5,973	3,239
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	14,858,218	14,017,303	6,296,598	-
Net OPEB obligation	3,923,999	2,329,886	2,215,261	147,877
Landfill closure	-	6,539,477	-	-
Total Noncurrent Liabilities	18,975,559	22,930,052	8,517,832	2,387,324
Total Liabilities	24,215,615	25,413,348	10,471,582	3,202,428
Net Position:				
Net investment in capital assets	97,100,377	10,061,599	31,813,566	18,438,342
Restricted for capital projects	3,240,000	-	-	-
Restricted for debt service	462,600	-	-	-
Unrestricted	15,246,950	8,267,295	16,150,524	(56,772)
Total Net Position	116,049,927	18,328,894	47,964,090	18,381,570
Total Liabilities and Net Position	\$ 140,265,542	\$ 43,742,242	\$ 58,435,672	\$ 21,583,998

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net Position per Statement of Net Position

CITY OF REDLANDS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds Totals	Governmental Activities- Internal Service Funds
Assets:		
Current:		
Cash and investments	\$ 52,782,787	\$ 5,348,474
Receivables:		
Accounts	6,349,332	42,351
Prepaid costs	104,577	15,237
Due from Successor Agency	3,024,060	-
Due from other governments	25,342	1,411
Inventories	-	143,262
Total Current Assets	62,286,098	5,550,735
Noncurrent:		
Advances to other funds	2,387,590	-
Capital assets - net of accumulated depreciation	181,255,275	213,225
Cash and investment with fiscal agent	18,098,491	-
Total Noncurrent Assets	201,741,356	213,225
Total Assets	\$ 264,027,454	\$ 5,763,960
Liabilities and Net Position:		
Liabilities:		
Current:		
Accounts payable	\$ 2,953,111	\$ 534,085
Accrued payroll	748,384	128,239
Interest payable	322,473	-
Unearned revenues	66,008	-
Deposits payable	1,458,179	-
Landfill closure	285,066	-
Accrued compensated absences	797,358	159,585
Accrued claims and judgments	-	1,694,659
Bonds, notes, and capital leases	3,861,627	-
Total Current Liabilities	10,492,206	2,516,568
Noncurrent:		
Advances from other funds	2,236,208	-
Accrued compensated absences	245,940	255,147
Accrued claims and judgments	-	1,694,659
Bonds, notes, and capital leases	35,172,119	-
Net OPEB obligation	8,617,023	2,114,758
Landfill closure	6,539,477	-
Total Noncurrent Liabilities	52,810,767	4,064,564
Total Liabilities	63,302,973	6,581,132
Net Position:		
Net investment in capital assets	157,413,884	213,225
Restricted for capital projects	3,240,000	-
Restricted for debt service	462,600	-
Unrestricted	39,607,997	(1,030,397)
Total Net Position	200,724,481	(817,172)
Total Liabilities and Net Position	264,027,454	\$ 5,763,960
	1,492,252	
	\$ 202,216,733	

CITY OF REDLANDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Disposal	Sewer	Other Enterprise Funds
Operating Revenues:				
Sales and service charges	\$ 23,453,512	\$ 11,623,769	\$ 9,576,740	\$ 1,667,589
Miscellaneous	244,810	2,978	9,321	639,114
Impact fees	1,472,439	321,411	1,446,766	-
Total Operating Revenues	25,170,761	11,948,158	11,032,827	2,306,703
Operating Expenses:				
Administration and general	3,529,625	3,779,104	2,009,546	1,044,503
Utility plant operations	4,527,298	-	1,944,709	-
Transmission, distribution & treatment	3,668,728	-	-	48,258
Personnel services	4,668,803	3,665,278	2,626,963	400,094
Repairs and maintenance	440,822	2,686,035	334,110	11,215
Premiums paid out	-	-	-	-
Depreciation expense	2,304,643	509,136	1,366,590	121,404
Total Operating Expenses	19,139,919	10,639,553	8,281,918	1,625,474
Operating Income (Loss)	6,030,842	1,308,605	2,750,909	681,229
Nonoperating Revenues (Expenses):				
Intergovernmental	-	180,000	-	-
Interest revenue	332,005	414,028	257,889	49,434
Interest expense	(353,824)	(532,055)	(225,337)	(6,077)
Miscellaneous income	125,610	-	-	31,230
Miscellaneous expense	(2,013)	-	(2,013)	-
Property taxes	-	-	-	34,597
Grants	-	340	-	20,000
Gain on disposal of capital assets	10,251	18,083	-	-
Total Nonoperating Revenues (Expenses)	112,029	80,396	30,539	129,184
Income (Loss) Before Transfers and Extraordinary Loss	6,142,871	1,389,001	2,781,448	810,413
Transfers in	227,408	-	-	509,038
Transfers out	(6,530,586)	(3,320,438)	(1,333,883)	(205,889)
Contributions	101,390	-	71,580	-
Extraordinary gain (Note 18)	2,024,168	-	-	-
Changes in Net Position	1,965,251	(1,931,437)	1,519,145	1,113,562
Net Position:				
Beginning of Year	114,084,676	20,260,331	46,444,945	17,268,008
End of Fiscal Year	\$ 116,049,927	\$ 18,328,894	\$ 47,964,090	\$ 18,381,570

Changes in Net Position

Adjustment to reflect the consolidation of current fiscal year
internal service funds activities related to enterprise funds

**Changes in Net Position of Business-Type
Activities per Statement of Activities**

CITY OF REDLANDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating Revenues:		
Sales and service charges	\$ 46,321,610	\$ 12,374,145
Miscellaneous	896,223	544,316
Impact fees	3,240,616	-
Total Operating Revenues	50,458,449	12,918,461
Operating Expenses:		
Administration and general	10,362,778	6,077,485
Utility plant operations	6,472,007	-
Transmission, distribution & treatment	3,716,986	-
Personnel services	11,361,138	2,833,936
Repairs and maintenance	3,472,182	2,567,595
Premiums paid out	-	355,873
Depreciation expense	4,301,773	62,838
Total Operating Expenses	39,686,864	11,897,727
Operating Income (Loss)	10,771,585	1,020,734
Nonoperating Revenues (Expenses):		
Intergovernmental	180,000	-
Interest revenue	1,053,356	25,792
Interest expense	(1,117,293)	-
Miscellaneous income	156,840	-
Miscellaneous expense	(4,026)	-
Property taxes	34,597	-
Grants	20,340	-
Gain on disposal of capital assets	28,334	-
Total Nonoperating Revenues (Expenses)	352,148	25,792
Income (Loss) Before Transfers and Extraordinary Loss	11,123,733	1,046,526
Transfers in	736,446	2,800,000
Transfers out	(11,390,796)	(2,750,928)
Contributions	172,970	-
Extraordinary gain (Note 18)	2,024,168	-
Changes in Net Position	2,666,521	1,095,598
Net Position:		
Beginning of Year	198,057,960	(1,912,770)
End of Fiscal Year	200,724,481	\$ (817,172)
	2,666,521	
	102,769	
	\$ 2,769,290	

CITY OF REDLANDS

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Water	Disposal	Sewer	Other Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 25,791,941	\$ 11,953,346	\$ 11,189,585	\$ 2,395,397
Cash paid to suppliers for goods and services	(7,892,621)	(2,469,030)	(2,130,126)	(456,520)
Cash payments for claims	-	-	-	-
Cash paid to employees for services	(7,096,022)	(6,809,384)	(4,082,117)	(999,916)
Net Cash Provided (Used) by Operating Activities	10,803,298	2,674,932	4,977,342	938,961
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	(6,530,586)	(3,320,438)	(1,333,883)	(205,889)
Cash transfers in	227,408	-	-	509,038
Cash received from other activities	123,597	-	-	31,230
Payment received from other funds	70,366	-	-	-
Repayment made to other funds	-	-	-	(70,366)
Advance to other funds	-	-	-	(324,630)
Advance from other funds	688	122,223	-	-
Advance to successor agency	38,947	-	-	-
Intergovernmental	-	244,270	-	46,783
Grants received	-	340	-	20,000
Net Cash Provided (Used) by Non-Capital Financing Activities	(6,069,580)	(2,953,605)	(1,333,883)	6,166
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(12,454,134)	(1,612,950)	(864,676)	(48,669)
Principal paid on long term debt	(1,522,614)	(114,424)	(1,151,427)	-
Interest paid on capital debt	(415,461)	(553,520)	(314,830)	(6,077)
Proceeds of debt issued	3,370,789	15,629,271	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,021,420)	13,348,377	(2,330,933)	(54,746)
Cash Flows from Investing Activities:				
Interest received	332,005	414,028	257,889	49,434
Net Cash Provided (Used) by Investing Activities	332,005	414,028	257,889	49,434
Net Increase (Decrease) in Cash and Cash Equivalents	(5,955,697)	13,483,732	1,570,415	939,815
Cash and Cash Equivalents at Beginning of Year	24,823,509	17,554,053	16,288,144	2,177,307
Cash and Cash Equivalents at End of Year	\$ 18,867,812	\$ 31,037,785	\$ 17,858,559	\$ 3,117,122

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 6,030,842	\$ 1,308,605	\$ 2,750,909	\$ 681,229
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	2,304,643	509,136	1,366,590	121,404
(Increase) decrease in accounts receivable	514,438	23,457	156,514	88,575
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in due from other governments	930	(18,269)	244	119
(Increase) decrease in prepaid expense	3,727	3,921	1,812	496
Increase (decrease) in accounts payable	740,500	213,084	146,881	(21,475)
Increase (decrease) in accrued payroll	39,065	18,964	22,892	2,181
Increase (decrease) in deposits payable	105,812	-	-	24,026
Increase (decrease) in net OPEB obligation	954,718	570,295	564,416	40,227
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	108,623	45,739	(32,916)	2,179
Total Adjustments	4,772,456	1,366,327	2,226,433	257,732
Net Cash Provided (Used) by Operating Activities	\$ 10,803,298	\$ 2,674,932	\$ 4,977,342	\$ 938,961
Non-Cash Investing, Capital, and Financing Activities:				
Contributions from developers	\$ 101,390	\$ -	\$ 71,580	\$ -
Amortization of premiums on debt	52,055	223,332	77,655	-

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 51,330,269	\$ 12,937,046
Cash paid to suppliers for goods and services	(12,948,297)	(8,478,238)
Cash payments for claims	-	(406,555)
Cash paid to employees for services	(18,987,439)	(2,823,705)
Net Cash Provided (Used) by Operating Activities	<u>19,394,533</u>	<u>1,228,548</u>
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(11,390,796)	(2,750,928)
Cash transfers in	736,446	2,800,000
Cash received from other activities	154,827	-
Payment received from other funds	70,366	25,405
Repayment made to other funds	(70,366)	(25,405)
Advance to other funds	(324,630)	-
Advance from other funds	122,911	-
Advance to successor agency	38,947	-
Intergovernmental	291,053	-
Grants received	20,340	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(10,350,902)</u>	<u>49,072</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(14,980,429)	(142,701)
Principal paid on long term debt	(2,788,465)	-
Interest paid on capital debt	(1,289,888)	-
Proceeds of debt issued	19,000,060	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(58,722)</u>	<u>(142,701)</u>
Cash Flows from Investing Activities:		
Interest received	1,053,356	25,792
Net Cash Provided (Used) by Investing Activities	<u>1,053,356</u>	<u>25,792</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,038,265	1,160,711
Cash and Cash Equivalents at Beginning of Year	60,843,013	4,187,763
Cash and Cash Equivalents at End of Year	<u>\$ 70,881,278</u>	<u>\$ 5,348,474</u>

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 10,771,585	\$ 1,020,734
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	4,301,773	62,838
(Increase) decrease in accounts receivable	782,984	17,449
(Increase) decrease in inventory	-	18,169
(Increase) decrease in due from other governments	(16,976)	1,136
(Increase) decrease in prepaid expense	9,956	4,913
Increase (decrease) in accounts payable	1,078,990	(214,035)
Increase (decrease) in accrued payroll	83,102	(9,126)
Increase (decrease) in deposits payable	129,838	-
Increase (decrease) in net OPEB obligation	2,129,656	357,795
Increase (decrease) in claims and judgments	-	(50,682)
Increase (decrease) in compensated absences	123,625	19,357
Total Adjustments	8,622,948	207,814
Net Cash Provided (Used) by Operating Activities	\$ 19,394,533	\$ 1,228,548
Non-Cash Investing, Capital, and Financing Activities:		
Contributions from developers	\$ 172,970	\$ -
Amortization of premiums on debt	353,042	-

CITY OF REDLANDS

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Cash and investments	\$ 4,062,362	\$ 5,386,597
Cash and investments with fiscal agents	2,691,856	3,655,286
Receivables:		
Note	-	130,271
Accrued interest	286,141	-
Capital assets:		
Capital assets, not being depreciated	-	2,833,418
Total Assets	<u>\$ 7,040,359</u>	<u>12,005,572</u>
Liabilities:		
Accounts payable	\$ 280,716	5,090
Accrued payroll	-	3,193
Accrued interest	-	516,509
Deposits payable	6,759,643	3,000
Due to city of Redlands	-	3,024,060
Long-term liabilities:		
Due in one year	-	2,355,000
Due in more than one year	-	23,380,000
Total Liabilities	<u>\$ 7,040,359</u>	<u>29,286,852</u>
Net Position:		
Held in trust for other purposes		<u>(17,281,280)</u>
Total Net Position		<u>\$ (17,281,280)</u>

CITY OF REDLANDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 3,337,916
Interest and change in fair value of investments	208,825
Miscellaneous	<u>27</u>
Total Additions	<u>3,546,768</u>
Deductions:	
Administrative expenses	250,000
Contractual services	112,096
Interest expense	<u>1,264,815</u>
Total Deductions	<u>1,626,911</u>
Extraordinary gain (Note 17)	(2,024,168)
Changes in Net Position	(104,311)
Net Position - Beginning of the Year	<u>(17,176,969)</u>
Net Position - End of the Year	<u><u>\$ (17,281,280)</u></u>

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Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The City of Redlands ("City") is a municipal corporation governed by a five-member city council with the mayor elected by the council itself. The City was incorporated in 1888 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Each blended component unit has a June 30 year-end.

Blended Component Units

The Redlands Public Improvement Corporation ("Corporation") was organized in June 1985 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The corporation was formed at the request of the City and the directors receive no compensation. The corporation is presented as a governmental fund type.

The Redlands Financing Authority ("Authority") was established May 1, 1999, pursuant to the Joint Exercise of Powers Laws of the State of California. The Authority was created by the Agency and the City for the primary purpose of assisting the financing of capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits.

Separate financial statements for the blended component units are not prepared.

Related Organizations

The City of Redlands' officials are also responsible for appointing members of the boards of other organizations, but the City of Redlands' accountability for these organizations does not extend beyond making the appointments. The board of the Friends of the A.K. Smiley Public Library and the Redlands Historical Museum Association are appointed by the City Council.

b. Measurement Focus, Basis of Accounting and Basis of Presentation

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

- Government-wide financial statements
- Fund financial statements
- 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

Note 1: Summary of Significant Accounting Policies (Continued)

government (including the blended component units), as well as discretely presented financial statements. The City has no discretely presented component units. 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.

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 the 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, deferred outflows or resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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 non-major funds in the aggregate for governmental and enterprise funds. Fiduciary funds of the City primarily 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*. Their 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

Note 1: Summary of Significant Accounting Policies (Continued)

collected 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.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants 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 when cash is received by the government.

Revenue recognition is subject to the *measurability* 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 non-exchange* 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 non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets 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. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by nonspendable fund balance accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current 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.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary and fiduciary 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 and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary and fiduciary 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 principal operating revenues of the City's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as noncapital revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses. Private-purpose trust funds account for the assets and liabilities of other agencies and report additions such as taxes and deductions such as administrative and contract services.

c. Fund Classification

The City utilizes the following broad categories of funds:

Major Funds

Major funds are those funds which are either material or of particular importance.

Major Governmental Funds — Governmental funds are generally used to account for tax-supported activities. The following governmental funds met the criteria of a major fund:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all activities, except those required to be accounted for in another fund.

Note 1: Summary of Significant Accounting Policies (Continued)

Local Transportation

The Local Transportation Fund is used to account for the receipt and expenditure of street and road construction funds including the City's Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) Project, a portion of which is being funded with proceeds of Solid Waste Bonds issued as a result of the significant adverse impact that Solid Waste vehicles have on the City's streets.

Public Facilities Development

The Public Facilities Development Fund is used to account for the collection and related expenditure of development impact fees used for constructing new and upgrading existing public facilities.

Major Proprietary Funds — Proprietary funds are used to report an activity for which a fee is charged to external users to recover the cost of operation.

Water Fund

The Water Fund is an enterprise fund used to account for water utility services provided by the City.

Disposal Fund

The Disposal Fund is an enterprise fund used to account for refuse disposal utility services provided by the City.

Sewer Fund

The Sewer Fund is an enterprise fund used to account for waste water utility services provided by the City.

Additionally the government reports the following fund types:

Capital Project

Capital project funds are used to account for the expenditures of construction of various capital improvements projects throughout the City.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Internal Service Funds

The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, the cost of maintaining and replacing the City's rolling stock fleet, and information technology services. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

Note 1: Summary of Significant Accounting Policies (Continued)

Permanent Fund

The Cemetery Endowment Fund, a Permanent Fund, establishes an endowment fund for future maintenance of the cemetery.

Agency Funds

Agency funds are used to account for the City's Special Deposits and Community Facilities District Trust in a trustee capacity. The funds are custodial in nature, and do not involve measurement of results of operations.

Private-Purpose Trust Funds

The private purpose trust fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

d. Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

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 or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balances.

e. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments for the proprietary funds is considered cash and cash equivalents.

f. Capital Assets

Capital assets, which include land, rights of way, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Capital assets purchased or constructed in excess of \$5,000 are capitalized if it has an expected useful life of three years or more. The cost of

Note 1: Summary of Significant Accounting Policies (Continued)

normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Structures	25-40 years
Equipment	3-10 years
Infrastructure	20-75 years

g. Deferred Outflows/Inflows of Resources

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

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

h. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

i. Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by unassigned fund balance.

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 in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 1: Summary of Significant Accounting Policies (Continued)

Stabilization Arrangement

As described in Chapter 3.06 of the Municipal Code, the City has established a stabilization arrangement committing a minimum of 12% of the sum of the General Fund's operating expenses and operating transfers out. The balance at June 30, 2014, is \$7,903,654 and is included in committed fund balance. These funds may be used only when the City is faced with an unforeseen or uncontrollable event which includes but is not limited to:

1. Local revenue shortfalls due to a major business closure or relocation.
2. Legislative or judicial mandates to provide new or expanded services or programs that, in total, cost the City \$200,000 or more.
3. Natural and civil disasters such as earthquakes, fires, floods, riots and health epidemics.

j. Inventory

Inventory is valued at cost, using the first-in, first-out method, which approximates market value. Supplies are recorded as expenditures when they are used rather than when purchased.

k. Compensated Absences

A total of 10 to 25 days of vacation and 12 days of sick leave per year may be accumulated by each employee. The City accrues a liability for compensated absences which meets the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with GASB Statement No. 16, a liability is recorded in the governmental funds only if it has matured for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City.

l. Cash and Investments with Fiscal Agent

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds, Certificates of Participation and lease obligations. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested in

Note 1: Summary of Significant Accounting Policies (Continued)

accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy.

m. Property Taxes

With the passage of Proposition 13 in 1978 (Article XIII A, California State Constitution), property taxes are limited to one percent of market value, plus additional taxes for repayment of existing or subsequent voter-approved indebtedness. Under Article XIII A, the market value of taxable property is subject to a maximum annual increase of two percent. Market value may be appraised at significantly more than two percent depending on other factors such as improvements, sale or change of ownership. The City receives a portion of the one percent general tax levy which is shared by several other local governments including the county and the school district. The City's share is based on a formula prescribed in Section 26912(b) of the Government Code. The county apportions property taxes to the City on a scheduled basis which generally adheres to the actual tax collection periods. The tax lien date is January 1 of each year and covers the ensuing fiscal year's tax returns. The tax levy date is from July 1 to June 30 of each year. The first installment becomes due on November 1 with penalties and interest accruing after December 10. The second installment is due no later than April 10.

n. Bond Discounts

Bond discounts for proprietary fund types are deferred and amortized over the term of the bond using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable.

o. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Stewardship, Compliance and Accountability

The annual budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them. Budget appropriations lapse at the end of the year. The City Council approves total budgeted appropriations and amendments to appropriations throughout the year. The City Manager can approve budget appropriation transfers between departments within a fund; however any revisions that alter the total expenditures of a fund must be approved by City Council. The departments of the General Fund are considered to be departments for purposes of this requirement. Each fund other than the General Fund is considered to be departments. Actual expenditures may not legally exceed budgeted appropriations at the department level. The budgetary information shown for revenues and expenditures represents the original adopted budget adjusted for any changes made by the City Council.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Stewardship, Compliance and Accountability (Continued)

Formal budgetary information is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year-end lapse, and then are added to the following year's budgeted appropriations.

Annual budgets are adopted for all governmental funds types of a basis substantially consistent with generally accepted accounting principles (GAAP).

Note 3: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 114,045,725
Cash and investments held by fiscal agent	20,081,591

Fiduciary Funds:

Cash and investments	9,448,959
Cash and investments held by fiscal agent	6,347,142
Total cash and investments	<u>\$ 149,923,417</u>

Cash and investments as of June 30, 2014, consist of the following:

Cash on hand	\$ 5,000
Deposits with financial institutions	314,596
Investments	149,603,821
Total cash and investments	<u>\$ 149,923,417</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 3: 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 and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate 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 general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
US. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	15%
Negotiable Certificates of Deposit	Yes	5 years	30%	30%
Repurchase Agreements	Yes	7 days	None	None
Reverse Repurchase Agreements	No	92 days	None	None
Medium-Term Notes	Yes	5 years	15%	15%
Mutual Funds	Yes	N/A	10%	10%
Money Market Mutual Funds	Yes	N/A	10%	10%
Mortgage Pass-Through Securities	No	5 years	None	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by fiscal agent 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 fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	15%
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Cash and Investments (Continued)

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.

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:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Federal agency securities	\$ 55,399,613	\$ -	\$ 12,069,890	\$ 43,329,723
U.S. treasury notes	5,961,403	-	-	5,961,403
Corporate bonds	16,276,110	5,088,250	4,116,180	7,071,680
Certificates of deposit	12,198,201	3,223,632	3,238,256	5,736,313
Municipal bonds	1,169,800	-	-	1,169,800
Mutual funds	771,295	771,295	-	-
LAIF	31,398,666	31,398,666	-	-
Held by fiscal agent:				
Federal agency securities	3,055,616	3,055,616	-	-
LAIF	15,191,352	15,191,352	-	-
Money market funds	5,944,033	5,944,033	-	-
Investment contracts	2,237,732	2,237,732	-	-
Total	<u>\$ 149,603,821</u>	<u>\$ 66,910,576</u>	<u>\$ 19,424,326</u>	<u>\$ 63,268,919</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Cash and Investments (Continued)

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 required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End	
				AAA/Aa	Not Rated
Federal agency securities	\$ 54,264,543	N/A	\$ -	\$ 54,264,543	\$ -
Tennessee Valley Authority	1,135,070	N/A	-	1,135,070	-
U.S. treasury notes	5,961,403	N/A	5,961,403	-	-
Corporate bonds	16,276,110	A	-	16,276,110	-
Certificates of deposit	12,198,201	N/A	-	-	12,198,201
Municipal bonds	1,169,800	N/A	-	-	1,169,800
Mutual funds	771,295	A	-	771,295	-
LAIF	31,398,666	N/A	-	-	31,398,666
Held by bond trustee:					
Federal agency securities	3,055,616	N/A	-	3,055,616	-
LAIF	15,191,352	N/A	-	-	15,191,352
Money market funds	5,944,033	A	-	5,944,033	-
Investment contracts	2,237,732	N/A	-	-	2,237,732
Total	<u>\$ 149,603,821</u>		<u>\$ 5,961,403</u>	<u>\$ 81,446,667</u>	<u>\$ 62,195,751</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	\$ 21,954,250
Federal Home Loan Mortgage Corporation	Federal agency securities	15,333,677
Federal National Mortgage Association	Federal agency securities	7,978,540

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Cash and Investments (Continued)

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 fair 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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. LAIF is not rated.

Note 4: Interfund Receivables, Payables and Transfers

a. Due To/From Other Funds:

As of June 30, 2014, the City had the following due to/from other funds:

Funds	Due To Other Funds <hr/> Nonmajor Governmental Funds <hr/>
Due From Other Funds:	
General Fund	\$ 807,876

The interfund balances were made to cover negative cash balances and other temporary loans at June 30, 2014.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4: Interfund Receivables, Payables and Transfers (Continued)

b. Advances To/From Other Funds:

As of June 30, 2014, advances to/from other funds were as follows:

Funds	Advances from other funds		Total
	Public Facilities Development	Nonmajor Proprietary Funds	
Advances to other funds:			
General Fund	\$ 7,584,490	\$ -	\$ 7,584,490
Nonmajor governmental funds	363,312	-	363,312
Water Fund	151,382	1,213,412	1,364,794
Solid Waste Fund	-	1,022,796	1,022,796
Total	<u>\$ 8,099,184</u>	<u>\$ 2,236,208</u>	<u>\$ 10,335,392</u>

The General Fund has advanced \$7,584,490 to the Public Facilities Development Fund to provide funding for capital expenditures and debt service coverage on the COP's issued for capital facilities. The payable will be refunded through future development impact fee collections. Additional advances were made to the Public Facilities Fund to assist in debt service payments on the COP's. These advances were made from the Open Space Fund for \$131,196, the Park Development Fund for \$131,196, the Storm Drain Construction Fund for \$100,920, and the Water Fund for \$151,382.

The Water Fund and Solid Waste Fund advanced the Cemetery and Aviation Funds \$2,236,208 to provide funding for capital expenditures.

c. Transfers In/Out:

Transfers in and out for the year ended June 30, 2014, were as follows:

Funds	Transfers Out			
	General Fund	Local Transportation	Public Facilities Development	Nonmajor Governmental Funds
Transfers In:				
General Fund	\$ -	\$ -	\$ 121,685	\$ 2,522,907
Local Transportation	-	-	7,732	3,866
Nonmajor Governmental Funds	3,741,683	7,038	961,215	-
Water Fund	21,519	-	-	-
Nonmajor Enterprise Funds	-	-	-	-
Internal Service	2,800,000	-	-	-
Total	<u>\$ 6,563,202</u>	<u>\$ 7,038</u>	<u>\$ 1,090,632</u>	<u>\$ 2,526,773</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4: Interfund Receivables, Payables and Transfers (Continued)

Funds	Transfers Out					Total
	Water	Solid Waste	Sewer	Nonmajor Enterprise Funds	Internal Service	
Transfers In:						
General Fund	\$ 802,479	\$ 1,001,482	\$ 156,948	\$ -	\$ -	\$ 4,605,501
Local Transportation	5,180,304	2,313,961	1,176,935	-	-	8,682,798
Nonmajor Governmental Funds	43,760	-	-	-	2,750,928	7,504,624
Water Fund	-	-	-	205,889	-	227,408
Nonmajor Enterprise Funds	504,043	4,995	-	-	-	509,038
Internal Service	-	-	-	-	-	2,800,000
Total	\$ 6,530,586	\$ 3,320,438	\$ 1,333,883	\$ 205,889	\$ 2,750,928	\$ 24,329,369

Interfund transfers were used for operations, deficit repayment, debt payment and general administration charges.

Note 5: Capital Assets

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

	Beginning Balance	Transfers	Additions	Deletions	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 29,547,984	\$ -	\$ 48,715	\$ 15,155	\$ 29,581,544
Water rights	408,125	-	-	-	408,125
Rights of way	431,692,774	-	6,200,484	-	437,893,258
Construction in progress	14,124,958	(929,207)	12,074,963	-	25,270,714
Total capital assets not being depreciated	475,773,841	(929,207)	18,324,162	15,155	493,153,641
Capital assets being depreciated:					
Infrastructure	187,329,185	929,207	695,773	707,901	188,246,264
Buildings and improvements	20,940,296	-	578,796	-	21,519,092
Machinery, equipment and vehicles	19,593,586	-	635,844	1,099,431	19,129,999
Total capital assets being depreciated	227,863,067	929,207	1,910,413	1,807,332	228,895,355
Less accumulated depreciation for:					
Infrastructure	79,257,721	-	4,281,865	393,469	83,146,117
Buildings and improvements	9,473,810	-	553,647	-	10,027,457
Machinery, equipment and vehicles	17,399,230	-	942,800	1,099,431	17,242,599
Total accumulated depreciated	106,130,761	-	5,778,312	1,492,900	110,416,173
Total capital assets being depreciated, net	121,732,306	929,207	(3,867,899)	314,432	118,479,182
Governmental activities:					
Capital assets, net	\$ 597,506,147	\$ -	\$ 14,456,263	\$ 329,587	\$ 611,632,823

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 5: Capital Assets (Continued)

	Beginning Balance	Transfers	Additions	Deletions	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 28,325,632	\$ -	\$ -	\$ -	\$ 28,325,632
Water rights	9,281,460	-	300,000	-	9,581,460
Construction in progress	39,138,502	(4,764,132)	12,808,059	-	47,182,429
Total capital assets not being depreciated	76,745,594	(4,764,132)	13,108,059	-	85,089,521
Capital assets being depreciated:					
Infrastructure	131,546,315	4,764,132	172,970	-	136,483,417
Buildings and improvements	84,524,441	-	-	-	84,524,441
Machinery, equipment and vehicles	14,806,399	-	1,900,704	-	16,707,103
Total capital assets being depreciated	230,877,155	4,764,132	2,073,674	-	237,714,961
Less accumulated depreciation for:					
Infrastructure	64,304,070	-	2,352,824	-	66,656,894
Buildings and improvements	59,928,992	-	1,519,591	-	61,448,583
Machinery, equipment and vehicles	13,014,372	-	429,358	-	13,443,730
Total accumulated depreciation	137,247,434	-	4,301,773	-	141,549,207
Total capital assets being depreciated, net	93,629,721	4,764,132	(2,228,099)	-	96,165,754
Business-type activities:					
Capital assets, net	\$ 170,375,315	\$ -	\$ 10,879,960	\$ -	\$ 181,255,275

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

	Governmental Activities	Business-Type Activities
General government	\$ 126,723	\$ -
Public safety	858,567	-
Highway and streets	4,120,525	-
Culture and recreation	609,659	-
Water	-	2,304,643
Disposal	-	509,136
Sewer	-	1,366,590
Nonmajor proprietary funds	-	121,404
Internal service	62,838	-
Total	\$ 5,778,312	\$ 4,301,773

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Long-Term Liabilities

Governmental Activities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due Within One Year
Compensated absences	\$ 7,111,361	\$ 3,313,894	\$ 3,314,635	\$ 7,110,620	\$ 3,305,327
Claims payable	3,440,000	1,025,205	1,075,887	3,389,318	1,694,659
OPEB Obligation (Note 10)	13,573,941	4,973,246	1,762,817	16,784,370	-
2003 General Obligation Bonds	585,000	-	585,000	-	-
2007 Series Taxable Pension Funding Bonds	22,320,000	-	1,500,000	20,820,000	1,670,000
Less: (accreted interest)	(919,605)	-	(66,289)	(853,316)	-
Certificate of Participation:					
2003 Lease Revenue Refunding	6,560,000	-	1,675,000	4,885,000	1,730,000
Add: unamortized premium	240,022	-	48,004	192,018	-
Capital leases payable	545,773	-	139,893	405,880	146,492
I-Bank Sports Park Lease	1,720,618	-	49,047	1,671,571	50,592
Total governmental activities long-term liabilities	<u>\$ 55,177,110</u>	<u>\$ 9,312,345</u>	<u>\$ 10,083,994</u>	<u>\$ 54,405,461</u>	<u>\$ 8,597,070</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$414,732 of compensated absences and \$2,114,758 of OPEB Obligation for internal service funds are included in the above amounts. Also, for the governmental activities, compensated absences and OPEB are generally liquidated by the General Fund.

Capital Leases Payable

The City has entered into several lease agreements for various equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The assets acquired under capital leases are machinery, equipment and vehicles. The total cost was \$2,921,332. The outstanding balance at June 30, 2014, is \$405,880.

The following schedule summarizes the debt to maturity payments for capital leases:

Year Ending June 30	Amount
2015	\$ 164,019
2016	153,435
2017	121,685
Total minimum lease payments	439,139
Less: Amount representing interest	(33,259)
Total minimum lease payments	<u>\$ 405,880</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

2003 General Obligation Refunding Bonds

At June 30, 2003, the City had \$5,140,000 in outstanding principal relating to the 1994 Refunding General Obligation Bonds. On October 29, 2003, the City issued \$5,380,000 of 2003 General Obligation Refunding Bonds for the purposes of refunding the 1994 General Obligation Refunding Bonds and paying the costs of issuance of the Bonds. The original bonds were used for the purpose of refinancing the acquisition and improvement of real property within the City for use as public parks and open space. As a result, the 1994 refunded bonds were considered to be defeased and the liability had been removed from the governmental activities column of the statement of net position. The advance refunding was undertaken to reduce total debt service payments over the next ten years by \$338,898 and resulted in an economic gain of \$286,142. The final maturity date is February 1, 2014. Interest rates vary from 2% to 5% with annual principal payments varying from \$440,000 to \$585,000 in the final year. The bonds were fully redeemed as of June 30, 2014.

2007 Taxable Pension Funding Bonds

On August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to refund the City's obligation to PERS, reimburse the City for its payment of a portion of its fiscal year ended 2008 unfunded liability and pay the costs of issuance of the bonds. Interest is payable February 1 and August 1 of each year commencing on February 1, 2008. Interest rate is 5.233% with annual principal payments plus accreted value commencing February 1, 2008. The amount outstanding at June 30, 2014, is \$20,820,000.

The annual requirements to amortize pension funding bonds outstanding as of June 30, 2014, are as follows:

Year Ending June 30	2007 Taxable Pension Funding Bonds	
	Principal	Interest
2015	\$ 1,670,000	\$ 1,091,514
2016	1,860,000	997,159
2017	2,060,000	892,069
2018	2,280,000	775,679
2019	2,515,000	646,859
2020-2024	5,850,000	1,817,816
2025-2029	1,160,000	1,037,277
2030-2034	1,805,000	820,673
2035-2037	1,620,000	197,127
	<u>20,820,000</u>	
Less unaccreted discount	<u>(853,316)</u>	
Totals	<u>\$ 19,966,684</u>	<u>\$ 8,276,173</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)Certificates of Participation2003 Lease Revenue Refunding Certificates of Participation

On May 28, 2003, the Redlands Financing Authority issued \$16,620,000 of Lease Revenue Refunding Certificates of Participation. The certificates were issued to retire \$18,145,000 outstanding Certificates of Participation dated in 1993. They represented the interests of the owners thereof in lease payments to be made by the City to the Redlands Financing Authority for the use and occupancy of certain public capital facilities refinanced with the proceeds of the prior certificates and the real property upon which they are situated.

The Certificates mature on September 1 of each year, beginning September 1, 2006 through September 1, 2017, in amounts ranging from \$595,000 to \$1,785,000. The interest will be calculated from September 1, 2003, at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments coming due during the six months preceding each interest payment date. The interest rates will range from 2.2% to 5%.

The outstanding balance at June 30, 2014, was \$4,885,000 with an unamortized premium of \$192,018.

The following schedule summarizes the annual debt service requirements to maturity for the Certificate of Participation:

Year Ending June 30	2003 Lease Revenue Refunding COP	
	Principal	Interest
2015	\$ 1,730,000	\$ 185,863
2016	1,785,000	113,125
2017	775,000	49,125
2018	595,000	14,875
Totals	<u>\$ 4,885,000</u>	<u>\$ 362,988</u>

I-Bank Sports Park Lease Payable

On December 1, 2006, the City entered into this agreement for the purpose of obtaining additional funds to complete the Sports Park project. The City has agreed to pay the amount over thirty years commencing on the date of the lease, which carries an annual interest rate of 3.15% with principal and interest payments due every six months starting August 1, 2007, and payable in full on August 1, 2036. The City pledged the Community Center to obtain this loan with I-Bank. At June 30, 2014, the outstanding balance of the I-Bank Sports Park lease payable balance was \$1,671,571.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

The annual retirements to amortize lease payable outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 102,450
2016	102,425
2017	102,399
2018	102,372
2019	102,345
2020-2024	511,279
2025-2029	510,447
2030-2034	509,476
2035-2038	<u>305,154</u>
Total minimum lease payments	2,348,347
Less: Amount representing interest	<u>(676,776)</u>
Total minimum lease payments	<u>\$ 1,671,571</u>

Business-Type Activities:

The following is a summary of changes in business-type long-term liabilities, including landfill closure liability, for the year ended June 30, 2014:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 919,673	\$ 851,705	\$ 728,080	\$ 1,043,298	\$ 797,358
Capital lease payable	114,424	-	114,424	-	-
OPEB obligation (Note 10)	6,487,367	3,299,031	1,169,375	8,617,023	-
Landfill closure (Note 13)	6,550,907	273,636	-	6,824,543	285,066
Revenue Bonds:					
2012A Water refunding	3,480,000	-	1,125,000	2,355,000	1,160,000
Add: unamortized premium	99,945	-	52,055	47,890	-
2012A Wastewater refunding	4,655,000	-	880,000	3,775,000	900,000
Add: unamortized premium	304,409	-	77,655	226,754	-
2013A Solid Waste Revenue	-	13,500,000	-	13,500,000	1,115,000
Add: unamortized premium	-	1,855,635	223,332	1,632,303	-
Total revenue bonds	<u>22,611,725</u>	<u>19,780,007</u>	<u>4,369,921</u>	<u>38,021,811</u>	<u>4,257,424</u>
Notes payable:					
Agricultural drainage water management loan program	235,523	-	115,680	119,843	119,843
California recycled water project	3,744,483	-	271,427	3,473,056	278,212
Safe drinking water project	4,419,804	-	281,934	4,137,870	288,572
Hinckley water treatment plant upgrade	6,395,241	3,370,789	-	9,766,030	-
Total notes payable	<u>14,795,051</u>	<u>3,370,789</u>	<u>669,041</u>	<u>17,496,799</u>	<u>686,627</u>
Total business-type activities long-term liabilities	<u>\$ 37,406,776</u>	<u>\$ 23,150,796</u>	<u>\$ 5,038,962</u>	<u>\$ 55,518,610</u>	<u>\$ 4,944,051</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

Capital Lease Payable

The City has entered into a lease agreement for a caterpillar track-type tractor. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The asset acquired under capital lease is rolling stock. The total cost was \$414,376. The lease was fully paid-off as of June 30, 2014.

2012A Water Refunding Revenue Bonds

The \$3,480,000 of Water Refunding Revenue Bonds, issue of 2012, consists of serial bonds with varying interest rates ranging from 2% to 3%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature annually on September 1, 2013 through September 1, 2015. The revenues of the Water Fund are pledged as security toward the payment of this debt. The net proceeds were used to refinance the 1999 Water Refunding Revenue Bonds. The amount outstanding at June 30, 2014, was \$2,355,000 with an unamortized premium of \$47,890. The City completed the advance refunding to reduce its total debt service payments by \$373,017 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$338,150.

The annual requirements to amortize bonds payable subsequent to June 30, 2014, are as follows:

Year Ending June 30	2012A Water Refunding Revenue Bonds	
	Principal	Interest
2015	\$ 1,160,000	\$ 53,250
2016	1,195,000	17,925
Totals	<u>\$ 2,355,000</u>	<u>\$ 71,175</u>

2012A Wastewater Refunding Revenue Bonds

The \$4,655,000 of Wastewater Refunding Revenue Bonds, issue of 2012, Series A, consists of serial bonds with varying interest rates from 2% to 4%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually September 1, 2013 through September 1, 2017. The revenues of the Wastewater Fund are pledged as security toward the payment of this debt. The net proceeds were used to refinance the 1999A Wastewater Refunding Revenue Bonds. The amount outstanding at June 30, 2014, was \$3,775,000 with an unamortized premium of \$226,754. The City completed the advance refunding to reduce its total debt service payments by \$704,295 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$657,994.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

The annual requirements to amortize bonds payable subsequent to June 30, 2014, are as follows:

Year Ending June 30	2012A Wastewater Revenue Refunding Bonds	
	Principal	Interest
2015	\$ 900,000	\$ 119,250
2016	925,000	91,875
2017	960,000	58,800
2018	990,000	19,800
Totals	<u>\$ 3,775,000</u>	<u>\$ 289,725</u>

2013A Solid Waste Revenue Bonds

The \$13,500,000 of Solid Waste Revenue Bonds, issue of 2013, Series A, consists of serial bonds with varying interest rates from 3% to 5%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually September 1, 2014 through September 1, 2023. The revenues of the Solid Waste Fund are pledged as security toward the payment of this debt. The proceeds were used to finance a portion of the cost of acquisition and construction of street improvements within the City of Redlands. The amount outstanding at June 30, 2014, was \$13,500,000 with an unamortized premium of \$1,632,303. The City completed the advance refunding to reduce its total debt service payments by \$704,295 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$657,994.

The annual requirements to amortize bonds payable subsequent to June 30, 2014, are as follows:

Year Ending June 30	2013A Solid Waste Revenue Refunding Bonds	
	Principal	Interest
2015	\$ 1,115,000	\$ 588,875
2016	1,145,000	554,975
2017	1,185,000	514,100
2018	1,235,000	465,700
2019	1,290,000	408,750
2020-2024	<u>7,530,000</u>	<u>978,750</u>
Totals	<u>\$ 13,500,000</u>	<u>\$ 3,511,150</u>

Pledged Revenues

The City has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purpose for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions of the accompanying notes. For the current year, debt service

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Water revenues	\$ 8,801,338	\$ 1,206,900	14%
Wastewater revenues	4,373,375	1,021,550	23%
Solid waste revenues	2,315,018	213,642	9%

Notes Payable

On June 30, 2009, the City entered into a note payable agreement for \$659,414 from the Water Resources Control Board through the Agricultural Drainage Water Management Loan Program for the Texas Street Wellhead Treatment Project. The note carries an annual interest rate of 3.6% with principal and interest payments due annually. The amount outstanding at June 30, 2014, was \$119,843.

On September 2, 2003, the City entered into a loan agreement with the California Water Resources Control Board in the amount of \$7,918,234 to assist in financing the construction of advanced wastewater treatment facilities at the existing wastewater treatment plant. The note carries an annual interest rate of 2.5% with principal and interest payments due annually starting November 30, 2005. The amount outstanding at June 30, 2014, was \$3,473,056.

On January 30, 2004, the City entered into a loan agreement with the State of California, Department of Water Resources in the amount of \$1,664,876 to assist in financing construction of a project which will enable the City to meet safe drinking water standards. As of June 30, 2006, the loan had been increased to \$6,100,844. The note carries an annual interest rate of 2.34% with principal and interest payments due every six months starting January 1, 2006. At June 30, 2014, the City has \$4,137,870 in outstanding principal.

On June 21, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Hinckley water treatment plant upgrade. The City may borrow up to \$13,663,033 or the eligible costs of the project, whichever is less. The loan has an interest rate of 2.5017% with maturities through 2031. The outstanding balance at June 30, 2014, is \$9,766,030. As of June 30, 2014, the future debt service requirements have not been determined.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

The annual requirements for the notes payable outstanding as of June 30, 2014, are as follows:

Year Ending June 30	Total Notes Payable	
	Principal	Interest
2015	\$ 686,627	\$ 186,288
2016	580,531	168,227
2017	594,612	154,146
2018	609,034	139,722
2019	623,808	124,950
2020-2024	3,353,499	390,287
2025-2029	11,048,688	41,676
Totals	<u>\$ 17,496,799</u>	<u>\$ 1,205,296</u>

Note 7: Claims Payable

On June 30, 2014, and throughout 2013-2014, the City was self-insured for the first \$500,000 per occurrence for commercial general liability and automobile liability. The City purchased excess liability insurance to provide additional coverage of \$10,000,000 per occurrence with a \$10,000,000 aggregate. The City also purchased airport liability insurance including comprehensive general liability, contractual liability, personal injury, bodily injury and property damage in a single limit liability amount of \$10,000,000 for each occurrence. For workers' compensation and employer's liability, the City was self-insured for \$1,000,000 per occurrence with excess coverage of \$25,000,000 for worker's compensation per occurrence with a \$25,000,000 aggregate, and \$1,000,000 for employer's liability per occurrence.

At June 30, 2014, \$1,405,651 and \$1,983,667 have been accrued for general liability and workers' compensation claims, respectively. All funds of the City participate in the worker's compensation program and make payments to the Workers' Compensation Internal Service Fund based on estimates of the amounts needed to pay prior and current year claims. The Liability Insurance Internal Service Fund receives an annual operating transfer from the General Fund to cover operating costs including payment of claims. The liability for unpaid claims for general liability and workers' compensation is discounted to reflect anticipated future investment earnings, assuming a five percent interest rate. Settled claims have not exceeded the commercial coverage in the past three years.

The accruals indicated above represent estimates of amounts to be paid for reported claims, and incurred but not reported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2014, are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to cover such losses.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Claims Payable (Continued)

Reconciliation of the changes in the City's aggregate liabilities for the year ended June 30, 2014, is as follows:

2013-2014	Beginning of Year	Claims and Changes in Estimates	Claim Payments	End of Year
Liability claims	\$ 886,000	\$ 519,651	\$ -	\$ 1,405,651
Workers' compensation	2,554,000	505,554	1,075,887	1,983,667
	<u>\$ 3,440,000</u>	<u>\$ 1,025,205</u>	<u>\$ 1,075,887</u>	<u>\$ 3,389,318</u>

2012-2013	Beginning of Year	Claims and Changes in Estimates	Claim Payments	End of Year
Liability claims	\$ 835,000	\$ 673,680	\$ 622,680	\$ 886,000
Workers' compensation	2,407,000	1,431,866	1,284,866	2,554,000
	<u>\$ 3,242,000</u>	<u>\$ 2,105,546</u>	<u>\$ 1,907,546</u>	<u>\$ 3,440,000</u>

Note 8: Fund Balance and Net Position

a. Fund Balance Classifications

At June 30, 2014, the City reports the following fund balance classifications:

	General	Local Transportation	Public Facilities Development	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable					
Prepaid costs	\$ 273,143	\$ -	\$ -	\$ 21,561	\$ 294,704
Advances to other funds	7,584,490	-	-	363,312	7,947,802
Restricted					
Public safety:					
Public safety programs	-	-	-	815,395	815,395
Police programs and equipment	-	-	-	640,220	640,220
Highway and streets:					
Street maintenance	-	-	-	212,045	212,045
Storm drain improvements	-	-	-	2,010,294	2,010,294
Capital projects:					
Street reconstruction/improvement projects	-	1,036,946	-	7,550,602	8,587,548
Debt service	-	-	-	3,926,099	3,926,099
Endowment	-	-	-	2,025,222	2,025,222
CFD assessment	-	-	-	148,687	148,687
Committed					
Stabilization arrangement	7,903,654	-	-	-	7,903,654
Park and open space acquisition/improvement	-	-	-	3,153,722	3,153,722
Downtown Redlands Business Association	-	-	-	229,515	229,515
Capital projects:					
Street reconstruction/improvement projects	-	-	-	3,432,804	3,432,804
Unassigned	12,586,391	-	(7,969,786)	(817,482)	3,799,123
Total Fund Balances	<u>\$ 28,347,678</u>	<u>\$ 1,036,946</u>	<u>\$ (7,969,786)</u>	<u>\$ 23,711,996</u>	<u>\$ 45,126,834</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Fund Balance and Net Position (Continued)

b. Fund Balance/Net Position Deficits

At June 30, 2014, the following governmental funds have fund deficits:

	<u>Deficit Amount</u>
Special Revenue Funds:	
Public Facilities Development	\$ 7,969,786
Emergency Service	194,109
Parking Authority	4,348
Community Development Block Grant	5,610
Supplemental Law Enforcement	21,882
Landscape Maintenance District	253
Disaster Recovery	570,966
Enterprise Fund:	
Cemetery	657,588
Internal Service Fund:	
Information Technology	855,958
Workers' Compensation Self-Insurance	1,041,836
Equipment Maintenance	481,911

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8: Fund Balance and Net Position (Continued)

c. Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2014, exceeded the appropriations of the following funds/departments:

	Budget	Actual	Variance
General Fund:			
City council	\$ 311,235	\$ 326,874	\$ (15,639)
Police	21,644,347	21,648,328	(3,981)
Fire	10,166,747	10,276,815	(110,068)
Community services	636,357	707,261	(70,904)
Highways and streets	3,683,130	3,749,900	(66,770)
Library	1,658,190	1,762,608	(104,418)
Special revenue:			
Public Facilities Development			
Highways and streets	15,723	17,839	(2,116)
Debt Service	-	1,979	(1,979)
Emergency Service			
Public safety	3,877,126	3,895,310	(18,184)
Capital outlay	12,500	13,066	(566)
Measure I sales tax			
Highways and streets	290,151	343,206	(53,055)
Downtown redlands business area			
General government	275,658	281,315	(5,657)
Parking authority			
General government	19,031	19,577	(546)
Neighborhood initiative program			
General government	2,772	2,774	(2)
Police grants			
Capital outlay	35,377	151,482	(116,105)
Park and open space			
Culture and recreation	15,162	16,681	(1,519)
Freeway interchanges			
Highways and streets	4,500	6,645	(2,145)
Street lighting district #1			
Highways and streets	25,000	25,459	(459)
CFD 2004-1 assessment			
General government	100,086	102,811	(2,725)
Landscape maintenance district			
General government	30,000	38,407	(8,407)
Capital projects:			
Storm drain			
Highways and streets	125,973	211,350	(85,377)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8: Fund Balance and Net Position (Continued)

d. Restatement of Net Position and Fund Balances:

Fund balance in the following funds have been restated for:

Governmental Funds:	
General fund	
To properly account for prior year revenue	\$ 33,695
Total governmental fund balance restatements	<u>\$ 33,695</u>

Note 9: Defined Benefit Pension Plan

Plan Description

The City contributes to the California Public Employee's Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit pension plan for safety employees. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California, 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City has historically made contributions required of City employees on their behalf and for their account. As a result of recent negotiations with various employee bargaining groups, employees will be contributing their own employee share to their retirement accounts. The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2014, is 14.353%, 28.078% and 28.370% of annual covered payroll for the miscellaneous plan, police safety plan and fire safety plan, respectively. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts. The City's contributions to the plan for the year ending June 30, 2014, was \$6,401,503 and was equal to the required contributions for the year.

Annual Pension Cost and Net Pension Asset

California Public Employees' Retirement System (CALPERS) valuation report dated June 30, 2003, established a side fund to account for the differences between the funded status of the pool and funded status of the City's plan. The side fund will be credited with the actuarial investment return assumption of 7.5% and subject to amortization on an annual basis. To reduce retirement costs and benefit from lower interest rates, on August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to fund the City's unfunded accrued actuarial liability ("UAAL") for retirement benefits to its employees. The proceeds from the bond issue of \$25,292,190 were remitted directly into the pension trust fund. The General Fund has been used to liquidate the net pension asset when the liability becomes due.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9: Defined Benefit Pension Plan (Continued)

The City's annual pension cost for fiscal year ending June 30, 2014, was as follows:

Fiscal year	Three Year Trend Information			
	Annual Pension Cost (Employer Contribution)			Percentage of
	Miscellaneous	Safety Police and Fire	APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,960,455	\$ 3,970,567	100%	\$ -
6/30/2013	2,081,330	3,838,566	100%	-
6/30/2014	2,381,545	4,019,958	100%	-

Funded Status and Funding Progress

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 future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the City 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 below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Miscellaneous Plan (Most Recent Information Available)						
Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Covered Payroll
6/30/2011	\$ 120,111,061	\$ 106,622,240	\$ 13,488,821	88.8%	\$ 16,480,903	81.8%
6/30/2012	122,167,123	107,863,281	14,303,842	88.3%	15,654,884	91.4%
6/30/2013	126,788,940	97,612,422	29,176,518	77.0%	16,336,676	178.6%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9: Defined Benefit Pension Plan (Continued)

A summary of principal assumptions and methods used to determine the schedule of funding progress is shown below.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date, Closed basis
Asset Valuation Method	Market value
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Note 10: Other Post-Employment Benefits Plan

In addition to the pension benefits described in Note 9, the City provides post-retirement health care benefits, in accordance with applicable Memoranda of Understanding and the California Government Code, to all employees who retire from the City.

Plan Description

The City administers a defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City pays up to the entire cost of health benefits for eligible retirees and their spouses until age 65 subject to the City's vesting schedule. After age 65, the City contributes a flat monthly rate of \$397 for those employees who retire under the PERS retirement system and subscribe to the PERS Health Insurance System, in accordance with the Government Code. This is a perpetual benefit which is available to all PERS retirees including eligible dependents of deceased retirees. Annual increases in the monthly rate are limited to \$20 and based upon the annual increase in PERS family premiums. In addition, the City also contributed the entire monthly premium for health insurance for all employees who retire with the City and have a minimum of 15 years of cumulative service with the City, or 20 years depending on the particular bargaining units.

City's Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2013-14, the City contributed \$2,932,192 to the plan from the General Fund. Upon retirement, City's employees who are not eligible for fully paid medical benefits based on service may elect to convert the value of their sick leave for payment of the balance of the premiums which are not paid by the City.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 10: Other Post-Employment Benefits Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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	\$ 8,867,229
Interest on net OPEB obligation	606,691
Adjustment to annual required contribution	<u>(1,201,643)</u>
Annual OPEB cost (expense)	8,272,277
Contributions made	<u>2,932,192</u>
Increase/(decrease) in Net OPEB obligation	5,340,085
Net OPEB obligation - beginning of year	<u>20,061,308</u>
Net OPEB obligation - end of year	<u>\$ 25,401,393</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2012	\$ 6,072,643	\$ 2,812,433	46.3%	\$ 13,573,822
6/30/2013	9,518,243	3,030,757	31.8%	20,061,308
6/30/2014	8,272,277	2,932,192	35.4%	25,401,393

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/2009	\$ -	\$ 68,964,000	\$ 68,964,000	0%	\$ 29,983,000	230.01%
6/30/2011	-	81,728,065	81,728,065	0%	29,340,000	278.56%
6/30/2013	-	99,727,982	99,727,982	0%	29,819,315	334.44%

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 future employment, mortality, and the healthcare cost trend. 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

Note 10: Other Post-Employment Benefits Plan (Continued)

with past expectations and new estimates are made about the future. The schedule of funding progress 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 the 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 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 assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements of 1% per year for the first three years then decrements of .5% to an ultimate rate of 5% after the seventh year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over an open-period basis using a 30 year amortization period. It is assumed the City's payroll will increase 2.5% per year.

Note 11: Contingencies

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City.

In 1998, the voters of California approved Proposition No. 11 which amended Article XIII, Section 29 of the California Constitution to allow cities and counties to enter into contracts to apportion sales and use tax revenue, by ordinance or resolution, and upon approval by a two-thirds vote of the legislative bodies of the parties to the contract. The City has provided in its contract with the County of San Bernardino that the benefit of receiving the sales and use tax revenue generated by businesses located in the unincorporated area of the Donut Hole, in exchange for the City's provision of municipal services, will terminate on December 31, 2003, unless an extension of the term of the contract beyond December 31, 2003, is consented to by a majority vote of the qualified voters of the City. The term has been extended beyond December 31, 2003, under the Ordinance No. 2550. The County of San Bernardino and the City apportion the sales and use tax revenue generated by businesses located in the Donut Hole generally on the basis of ninety percent (90%) of such sales and use tax revenue being provided to the City and ten percent (10%) of such sales and use tax revenue being provided to the County.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: Construction Commitments

The following material construction commitments existed at June 30, 2014:

Project Name	Contract Amount	Expenditures to date as of June 30, 2014	Remaining Commitments
PARIS Resurfacing Project 2013 (35-40)	\$ 12,736,367	\$ 8,880,554	\$ 3,855,813
Redlands and Alabama St. Improvements	4,035,000	312,498	3,722,502
2013 Water CIP, Phase II	2,680,367	781,332	1,899,035
Orange Blossom Trail	763,914	-	763,914
Park Parking Lots Resurfacing	473,663	113,672	359,991
Highway Safety Improvement Program - Cycle 4	301,538	-	301,538

Note 13: Solid Waste Landfill

State and federal laws and regulations require the City to provide financial assurance for closure and postclosure costs of the California Street Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for fifteen years after closure. Although closure and postclosure activities will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,824,543 reported as landfill closure and postclosure liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 60.91 percent of the total estimated capacity of the landfill including final covering. The City will recognize the remaining estimated costs of closure and postclosure care of \$800,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform closure and postclosure activities in 2014 dollars. The City expects to close the landfill in the year 2042. Actual costs may differ due to inflation, changes in technology or changes in regulations.

The City is required by state and federal laws and regulations to maintain adequate funds to provide financial assurance for closure and postclosure costs through one of a combination of alternative mechanisms. For closure costs, the City has established an enterprise fund mechanism with a separate fund, the California Street Landfill Closure fund. For postclosure costs, the City has entered into a Pledge of Revenue Agreement with the California Integrated Waste Management Board. The City is in compliance with these requirements. At June 30, 2014, \$6,256,083 is held for landfill closure. The City expects that future inflation costs will be paid from future annual operating revenues in the enterprise fund. Postclosure costs are agreed to be covered by revenue from solid waste customer billings which is deposited directly into the Disposal enterprise fund.

Note 14: Debt Without Government Commitment

The special assessment bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying basic financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit, nor taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 14: Debt Without Government Commitment (Continued)

In September 2001, the City issued for and on behalf of the Community Facilities District No. 2001-1 (Northwest Development Project) \$9,255,000 aggregate principal amount of 2001 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2002 to 2015 are serial bonds payable in annual installments of \$170,000 to \$355,000 while bonds maturing in the year 2022 in the amount of \$3,175,000 and bonds maturing in the year 2026 in the amount of \$2,535,000 are term bonds. The interest rates on the bonds range from 3.75% to 6.45%. The outstanding balance at June 30, 2014, was \$6,400,000.

In February 2004, the City issued for and on behalf of the Community Facilities District No. 2003-1 (Redlands Business Center) \$9,545,000 aggregate principal amount of 2004 Special Tax Bonds to finance the acquisition and construction of certain street improvements, sewers, storm drains, water distribution facilities, and other public improvements within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2006 to 2021 are serial bonds payable in annual installments of \$20,000 to \$270,000, while bonds maturing in the year 2027 in the amount of \$2,255,000 and bonds maturing in the year 2033 in the amount of \$5,280,000 are term bonds. The interest rates on the bonds range from 2.5% to 5.9%. The outstanding balance at June 30, 2014, was \$8,985,000.

Note 15: Operating Lease

The City has entered into an operating lease with Xerox Corporation for copier equipment, services and supplies in December 2009. The term calls for a five-year lease with a minimum monthly payment of \$5,875. The minimum future payments as of June 30, 2014, are as follows:

Year Ending June 30	Amount
2015	\$ 35,729
Total	\$ 35,729

Note 16: Successor Agency Trust for Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Redlands that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On November 1, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

a. Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 5,386,597
Cash and investments with fiscal agent	<u>3,655,286</u>
	<u>\$ 9,041,883</u>

b. Notes Receivable

A note in the amount of \$40,000 is receivable in monthly installments of \$182 beginning in July 2010, including interest payments at 0.9% due from inception. The note is secured by the deed of trust and assignment of rents and is guaranteed by the debtor. The full amount will be due in June 2030. An additional note of \$150,000 is receivable in monthly installments of \$658 beginning in October 2011, including an interest at 0.51% due from inception with annual adjustments to reflect the LAIF rate up to a maximum percentage of 3.17%. The note is secured by the deed of trust. The full amount will be due in October 2031. As of June 30, 2014, the notes receivable balance is \$130,271.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

c. Capital Assets

An analysis of capital assets as of June 30, 2014, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Fiduciary Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,733,418	\$ -	\$ -	\$ 2,733,418
Right-of-Way	100,000	-	-	100,000
Total Capital Assets, Not Being Depreciated	<u>2,833,418</u>	<u>-</u>	<u>-</u>	<u>2,833,418</u>
Capital assets, being depreciated:				
Machinery and equipment	13,418	-	-	13,418
Total Capital Assets, Being Depreciated	<u>13,418</u>	<u>-</u>	<u>-</u>	<u>13,418</u>
Less accumulated depreciation:				
Machinery and equipment	13,418	-	-	13,418
Total Accumulated Depreciation	<u>13,418</u>	<u>-</u>	<u>-</u>	<u>13,418</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 2,833,418</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,833,418</u></u>

d. Amount Due to City

On July 11, 2012, and on July 26, 2012, the City entered into loans with the Successor Agency of the former redevelopment agency in the amount of \$65,607 and \$3,157,400, respectively. The former loan was used toward the payment of the demand for payment from the County of San Bernardino Auditor-Controller. The latter loan was used to meet enforceable obligations of the Successor Agency from July 2012 through December 2012, including principal and interest on tax allocation bonds which were due on August 1, 2012.

In a letter from the Attorney General of the State of California dated August 25, 2014, the DOF concurs with the City of Redlands that the loan in the amount of \$3,157,400 is an enforceable obligation and will be paid using Redevelopment Property Tax Trust Fund money in future periods. The amount disallowed in fiscal year 2012-2013 will be reported as an extraordinary item in the Successor Agency and the Water Fund in the current year. The ending balance at June 30, 2014, is \$3,024,060.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

e. Long-Term Debt

The following is a summary of changes in the long-term liabilities of the Successor Agency as of June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Fiduciary Activities					
Tax Allocation Bonds					
1998 Refunding Series A	\$ 17,030,000	\$ -	\$ 1,370,000	\$ 15,660,000	\$ 1,435,000
2003 Series A	7,475,000	-	620,000	6,855,000	640,000
2007 Refunding Series A	3,485,000	-	265,000	3,220,000	280,000
Total	<u>\$ 27,990,000</u>	<u>\$ -</u>	<u>\$ 2,255,000</u>	<u>\$ 25,735,000</u>	<u>\$ 2,355,000</u>

A description of the individual issues of bonds of the Successor Agency of the Former Redevelopment Agency outstanding as of June 30, 2014, follows:

1998A Tax Allocation Refunding Bonds

In December of 1998, the Agency issued \$31,805,000 in 1998 Tax Allocation Refunding Bonds, Series A with interest rates of 3.7% to 5%. This was a current refunding of the following: \$6,145,000 of outstanding 1994 Refunding Parking Lease Revenue Bonds with a variable interest rate; \$19,710,000 of outstanding 1994 Subordinated Tax Allocation Refunding Bonds with a variable interest rate; and \$3,680,000 of outstanding 1987 Tax Allocation Refunding Bonds with interest rates of 4.5% to 7%. The net proceeds of \$30,488,750 (after payment of \$1,316,250 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities, those securities were deposited in an irrevocable trust with an escrow agent to refund the noted bonds. As a result, these refunded bonds are considered defeased. The reserve requirement was \$2,149,725 and the reserve as of June 30, 2014, was \$2,237,732. On February 1, 2012, this debt was transferred to the Successor Agency which took over responsibility of winding down the operations of the former Agency upon dissolution. At June 30, 2014, the outstanding principal was \$15,660,000.

The annual debt service requirements as of June 30, 2014, are as follows:

Year Ending June 30	1998A Tax Allocation Bonds	
	Principal	Interest
2015	\$ 1,435,000	\$ 720,000
2016	1,500,000	649,725
2017	1,575,000	576,100
2018	1,650,000	498,875
2019	1,725,000	418,056
2020-2023	<u>7,775,000</u>	<u>782,000</u>
Totals	<u>\$ 15,660,000</u>	<u>\$ 3,644,756</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

2003A Tax Allocation Bonds

In November of 2003, the Agency issued \$17,300,000 in 2003 Tax Allocation Bonds, Series A with interest rates of 2% to 4.25%. The proceeds of the bond were used to provide funds for redevelopment activities in the Project Area, fund a deposit to a debt service reserve account, and to pay for costs incurred in connection with the issuance, sale, and delivery of the Series 2003A Bonds, including the premium for a municipal bond insurance policy. Interest on the Series 2003A Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and payable on February 1 and August 1 of each year, commencing February 1, 2004, until maturity or earlier redemption thereof. In August of 2007 a portion of the bond was defeased in an amount equal to \$4,300,000 through unspent proceeds of the bond. The reserve requirement was \$929,109 and the reserve as of June 30, 2014, was \$937,130. On February 1, 2012, this debt was transferred to the Successor Agency which took over responsibility of winding down the operations of the former Agency upon dissolution. At June 30, 2014, the outstanding principal was \$6,855,000.

The annual debt service requirements as of June 30, 2014, are as follows:

Year Ending June 30	2003A Tax Allocation Bonds	
	Principal	Interest
2015	\$ 640,000	\$ 285,284
2016	670,000	258,781
2017	695,000	230,513
2018	720,000	200,850
2019	760,000	169,109
2020-2023	<u>3,370,000</u>	<u>313,640</u>
Totals	<u>\$ 6,855,000</u>	<u>\$ 1,458,177</u>

2007A Tax Allocation Bonds

In August of 2007, the Agency issued \$4,640,000 in 2007 Tax Allocation Bonds, Series A with interest rates of 5.818%. The proceeds of the bond were used to provide funds for certain low and moderate income housing purposes within the Project Area, fund a deposit to a debt service reserve account, and pay costs incurred in connection with the issuance, sale, and delivery of the Series 2007A bonds, including the premium for a bond insurance policy.

Interest on the Series 2007A Bond will be calculated on the basis of a 360-day year of twelve 30-day months and payable on February 1 and August 1 of each year, commencing February 1, 2008, until maturity in 2022 or earlier redemption thereof. The reserve requirement was \$464,000 and the reserve as of June 30, 2014, was \$472,687. On February 1, 2012 this debt was transferred to the Successor Agency which took over responsibility of winding down the operations of the former Agency upon dissolution. At June 30, 2014, the outstanding principal was \$3,220,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

The annual debt service requirements as of June 30, 2014, are as follows:

Year Ended June 30	2007A Tax Allocation Bonds	
	Principal	Interest
2015	\$ 280,000	\$ 179,194
2016	300,000	162,322
2017	315,000	144,432
2018	340,000	125,378
2019	350,000	105,306
2019-2023	<u>1,635,000</u>	<u>197,085</u>
Totals	<u>\$ 3,220,000</u>	<u>\$ 913,717</u>

f. Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$31,751,650 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,337,916 and the debt service obligation on the bonds was \$3,546,184.

g. Insurance

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 7.

Note 17: Subsequent Event

On August 25, 2014 the Attorney General of California, acting on behalf of the California Department of Finance approved the loan between the Successor Agency of the former Redevelopment Agency and the City's Water Fund of \$3,157,400 as an enforceable obligation. This subsequent event is reflected in the current year activity of the City and Successor Agency as an extraordinary item.

Note 1: Budgetary Information

Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for all governmental fund types. The budget is prepared on a GAAP (Generally Accepted Accounting Principles) basis. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.

The City Council may amend the budget only during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B of the State Constitution.

The City's formal budgetary process begins at the operating program level. Departmental budgets are comprised of the various operating program budgets. Operating programs do not cross departmental lines. Individual fund budgets consist of the departmental budgets; departmental budgets may cross fund lines.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund types, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control (legal level) for most funds is established by the amount of expenditures budgeted at the departmental and fund levels. Accordingly, the General Fund expenditures are displayed in the supplementary schedules at the department level and the Special Revenue, Debt Service, Capital Projects, and Permanent Funds expenditures are displayed at the function level. Management control is exercised at the line item level in each operating program. Management can transfer budgeted amounts between operating programs, departments or funds, provided that such transfers do not increase the overall budget. Appropriations that increase the budget require City Council approval.

CITY OF REDLANDS

BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 25,444,403	\$ 25,444,403	\$ 25,444,403	\$ -
Resources (Inflows):				
Taxes	39,625,213	40,479,000	41,567,229	1,088,229
Licenses and permits	4,848,917	5,969,694	6,300,962	331,268
Intergovernmental	35,000	266,645	154,700	(111,945)
Charges for services	6,609,991	6,548,319	6,796,491	248,172
Use of money and property	151,000	202,792	286,267	83,475
Miscellaneous	28,250	1,346,425	623,400	(723,025)
Transfers in	4,620,217	4,322,095	4,605,501	283,406
Proceeds from sale of capital asset	17,000	36,752	185,625	148,873
Amounts Available for Appropriations	81,379,991	84,616,125	85,964,578	1,348,453
Charges to Appropriation (Outflow):				
General government				
City council	285,439	311,235	326,874	(15,639)
City clerk	209,685	196,435	156,563	39,872
City manager	696,099	1,033,086	1,001,569	31,517
Finance	1,880,418	1,960,439	1,853,143	107,296
City attorney	502,528	504,267	485,502	18,765
Human resources	3,603,171	3,467,761	3,098,190	369,571
Building maintenance	1,191,413	1,318,719	1,265,789	52,930
Development services	2,225,992	2,228,720	1,929,906	298,814
Public safety				
Police	21,386,517	21,644,347	21,648,328	(3,981)
Fire	9,935,679	10,166,747	10,276,815	(110,068)
Culture and recreation				
Community services	711,310	636,357	707,261	(70,904)
Parks	1,471,347	1,561,320	1,551,237	10,083
Highway and streets	3,587,926	3,683,130	3,749,900	(66,770)
Library	1,730,260	1,658,190	1,762,608	(104,418)
Capital outlay	298,220	2,343,947	1,118,328	1,225,619
Debt service:				
Principal retirement	102,628	102,628	102,628	-
Interest and fiscal charges	19,057	19,057	19,057	-
Transfers out	5,188,580	6,745,413	6,563,202	182,211
Total Charges to Appropriations	55,026,269	59,581,798	57,616,900	1,964,898
Budgetary Fund Balance, June 30	\$ 26,353,722	\$ 25,034,327	\$ 28,347,678	\$ 3,313,351

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,614,060	\$ 3,614,060	\$ 3,614,060	\$ -
Resources (Inflows):				
Intergovernmental	2,653,512	2,393,971	1,334,588	(1,059,383)
Use of money and property	20,000	10,000	14,295	4,295
Miscellaneous	2,500,000	4,643,000	70,108	(4,572,892)
Transfers in	9,979,389	12,659,251	8,682,798	(3,976,453)
Refunding bonds issued	-	5,000,000	-	(5,000,000)
Amounts Available for Appropriations	18,766,961	28,320,282	13,715,849	(14,604,433)
Charges to Appropriation (Outflow):				
Highway and streets	730,910	1,931,225	1,108,850	822,375
Capital outlay	14,615,300	36,772,399	11,563,015	25,209,384
Transfers out	-	-	7,038	(7,038)
Total Charges to Appropriations	15,346,210	38,703,624	12,678,903	26,024,721
Budgetary Fund Balance, June 30	\$ 3,420,751	\$ (10,383,342)	\$ 1,036,946	\$ 11,420,288

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (7,751,280)	\$ (7,751,280)	\$ (7,751,280)	\$ -
Resources (Inflows):				
Licenses and permits	175,000	799,480	891,944	92,464
Amounts Available for Appropriations	(7,576,280)	(6,951,800)	(6,859,336)	92,464
Charges to Appropriation (Outflow):				
Highway and streets	3,000	15,723	17,839	(2,116)
Debt service:				
Interest and fiscal charges	-	-	1,979	(1,979)
Transfers out	1,081,311	1,081,036	1,090,632	(9,596)
Total Charges to Appropriations	1,084,311	1,096,759	1,110,450	(13,691)
Budgetary Fund Balance, June 30	\$ (8,660,591)	\$ (8,048,559)	\$ (7,969,786)	\$ 78,773

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Emergency Service	Household Hazardous Waste	State Gas Tax	Measure I Sales Tax
Assets:				
Cash and investments	\$ -	\$ 196,239	\$ -	\$ 2,673,245
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	9,411	-	-
Taxes	12,398	-	212,045	-
Prepaid costs	20,272	-	-	-
Due from other governments	-	38,430	-	-
Advances to other funds	-	-	-	-
Total Assets	\$ 32,670	\$ 244,080	\$ 212,045	\$ 2,673,245
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 18,617	\$ 11,343	\$ -	\$ 34
Accrued payroll	208,162	-	-	22,245
Unearned revenues	-	23,030	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	226,779	34,373	-	22,279
Deferred Inflows of Resources:				
Unavailable revenues	-	34,852	-	-
Total Deferred Inflows of Resources	-	34,852	-	-
Fund Balances:				
Nonspendable	20,272	-	-	-
Restricted	-	174,855	212,045	2,650,966
Committed	-	-	-	-
Unassigned	(214,381)	-	-	-
Total Fund Balances	(194,109)	174,855	212,045	2,650,966
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 32,670	\$ 244,080	\$ 212,045	\$ 2,673,245

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	<u>Special Revenue Funds</u>			
	<u>Air Quality Improvement</u>	<u>Traffic Safety</u>	<u>Measure I (2010)</u>	<u>Open Space</u>
Assets:				
Cash and investments	\$ 618,049	\$ -	\$ 4,732,870	\$ 2,085,506
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	22,491	22,495	-	-
Taxes	-	-	165,646	-
Prepaid costs	-	-	-	-
Due from other governments	-	224	-	-
Advances to other funds	-	-	-	131,196
Total Assets	<u>\$ 640,540</u>	<u>\$ 22,719</u>	<u>\$ 4,898,516</u>	<u>\$ 2,216,702</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 7,700	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>7,700</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	131,196
Restricted	640,540	15,019	4,898,516	-
Committed	-	-	-	2,085,506
Unassigned	-	-	-	-
Total Fund Balances	<u>640,540</u>	<u>15,019</u>	<u>4,898,516</u>	<u>2,216,702</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 640,540</u>	<u>\$ 22,719</u>	<u>\$ 4,898,516</u>	<u>\$ 2,216,702</u>

CITY OF REDLANDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds			
	Downtown Redlands Business Area	Parking Authority	General Capital Improvement	Community Development Block Grant
Assets:				
Cash and investments	\$ 247,788	\$ 33,502	\$ 59,449	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	576	2,443	-	-
Taxes	-	-	-	-
Prepaid costs	831	-	-	-
Due from other governments	-	-	64,542	15,397
Advances to other funds	-	-	-	-
Total Assets	\$ 249,195	\$ 35,945	\$ 123,991	\$ 15,397
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,115	\$ 1,582	\$ 24,394	\$ 16,529
Accrued payroll	8,734	-	888	110
Unearned revenues	-	-	10,000	-
Deposits payable	-	38,711	-	-
Due to other funds	-	-	-	4,368
Total Liabilities	18,849	40,293	35,282	21,007
Deferred Inflows of Resources:				
Unavailable revenues	-	-	87,589	-
Total Deferred Inflows of Resources	-	-	87,589	-
Fund Balances:				
Nonspendable	831	-	-	-
Restricted	-	-	1,120	-
Committed	229,515	-	-	-
Unassigned	-	(4,348)	-	(5,610)
Total Fund Balances	230,346	(4,348)	1,120	(5,610)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 249,195	\$ 35,945	\$ 123,991	\$ 15,397

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Neighborhood Initiative Program	Asset Forfeiture	Police Grants	Supplemental Law Enforcement
Assets:				
Cash and investments	\$ -	\$ 652,672	\$ -	\$ 188,027
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	414,736	-
Advances to other funds	-	-	-	-
Total Assets	\$ -	\$ 652,672	\$ 414,736	\$ 188,027
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 34,059	\$ 8,451	\$ -
Accrued payroll	-	-	3,704	6,308
Unearned revenues	-	14,578	155,288	-
Deposits payable	-	-	-	-
Due to other funds	-	-	157,289	-
Total Liabilities	-	48,637	324,732	6,308
Deferred Inflows of Resources:				
Unavailable revenues	-	-	68,838	203,601
Total Deferred Inflows of Resources	-	-	68,838	203,601
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	604,035	21,166	-
Committed	-	-	-	-
Unassigned	-	-	-	(21,882)
Total Fund Balances	-	604,035	21,166	(21,882)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 652,672	\$ 414,736	\$ 188,027

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Park and Open Space</u>	<u>Arterial Street Construction</u>	<u>Traffic Signals</u>	<u>Freeway Interchanges</u>
Assets:				
Cash and investments	\$ 1,071,036	\$ 1,782,833	\$ 764,890	\$ 903,781
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	131,196	-	-	-
Total Assets	<u>\$ 1,202,232</u>	<u>\$ 1,782,833</u>	<u>\$ 764,890</u>	<u>\$ 903,781</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,820	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	18,700	-
Due to other funds	-	-	-	-
Total Liabilities	<u>2,820</u>	<u>-</u>	<u>18,700</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	131,196	-	-	-
Restricted	-	-	-	-
Committed	1,068,216	1,782,833	746,190	903,781
Unassigned	-	-	-	-
Total Fund Balances	<u>1,199,412</u>	<u>1,782,833</u>	<u>746,190</u>	<u>903,781</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,202,232</u>	<u>\$ 1,782,833</u>	<u>\$ 764,890</u>	<u>\$ 903,781</u>

CITY OF REDLANDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds			
	Street Lighting District #1	CFD 2004-1 Assessment	Landscape Maintenance District	Disaster Recovery
Assets:				
Cash and investments	\$ -	\$ 277,197	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	296	1,008	32	-
Prepaid costs	30	128	42	-
Due from other governments	-	-	-	132,924
Advances to other funds	-	-	-	-
Total Assets	\$ 326	\$ 278,333	\$ 74	\$ 132,924
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 5	\$ 11,598	\$ 185	\$ -
Accrued payroll	95	237	142	-
Unearned revenues	-	-	-	-
Deposits payable	-	117,683	-	-
Due to other funds	-	-	-	646,219
Total Liabilities	100	129,518	327	646,219
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	57,671
Total Deferred Inflows of Resources	-	-	-	57,671
Fund Balances:				
Nonspendable	30	128	42	-
Restricted	196	148,687	-	-
Committed	-	-	-	-
Unassigned	-	-	(295)	(570,966)
Total Fund Balances	226	148,815	(253)	(570,966)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 326	\$ 278,333	\$ 74	\$ 132,924

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital	Debt Service Funds		Permanent
	Projects Funds	Redlands		Funds
	Storm Drain	General Debt Service	Public Improvement Corporation	Cemetery Endowment
Assets:				
Cash and investments	\$ 2,053,911	\$ 1,929,954	\$ -	\$ 2,024,542
Cash and investments with fiscal agents	-	1,983,100	-	-
Receivables:				
Accounts	-	-	-	680
Taxes	-	13,045	-	-
Prepaid costs	258	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	100,920	-	-	-
Total Assets	\$ 2,155,089	\$ 3,926,099	\$ -	\$ 2,025,222
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 40,743	\$ -	\$ -	\$ -
Accrued payroll	3,070	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	43,813	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	101,178	-	-	-
Restricted	2,010,098	3,926,099	-	2,025,222
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	2,111,276	3,926,099	-	2,025,222
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,155,089	\$ 3,926,099	\$ -	\$ 2,025,222

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Total Governmental Funds
Assets:	
Cash and investments	\$ 22,295,491
Cash and investments with fiscal agents	1,983,100
Receivables:	
Accounts	58,096
Taxes	404,470
Prepaid costs	21,561
Due from other governments	666,253
Advances to other funds	363,312
	<u>363,312</u>
Total Assets	\$ 25,792,283
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 188,175
Accrued payroll	253,695
Unearned revenues	202,896
Deposits payable	175,094
Due to other funds	807,876
	<u>807,876</u>
Total Liabilities	1,627,736
Deferred Inflows of Resources:	
Unavailable revenues	<u>452,551</u>
Total Deferred Inflows of Resources	452,551
Fund Balances:	
Nonspendable	384,873
Restricted	17,328,564
Committed	6,816,041
Unassigned	(817,482)
	<u>(817,482)</u>
Total Fund Balances	23,711,996
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,792,283

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	Emergency Service	Household Hazardous Waste	State Gas Tax	Measure I Sales Tax
Revenues:				
Taxes	\$ 1,093,428	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	335	2,237,784	-
Charges for services	12,577	115,871	-	-
Use of money and property	-	-	-	47,622
Miscellaneous	70,306	-	-	-
Total Revenues	1,176,311	116,206	2,237,784	47,622
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	3,895,310	126,413	-	-
Culture and recreation	-	-	-	-
Highway and streets	-	-	-	343,206
Capital outlay	13,066	34,851	-	66,893
Debt service:				
Principal retirement	37,265	-	-	-
Interest and fiscal charges	5,069	-	-	-
Total Expenditures	3,950,710	161,264	-	410,099
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,774,399)	(45,058)	2,237,784	(362,477)
Other Financing Sources (Uses):				
Transfers in	2,769,303	-	-	43,760
Transfers out	-	-	(2,294,399)	-
Total Other Financing Sources (Uses)	2,769,303	-	(2,294,399)	43,760
Net Change in Fund Balances	(5,096)	(45,058)	(56,615)	(318,717)
Fund Balances, Beginning of Year	(189,013)	219,913	268,660	2,969,683
Fund Balances, End of Year	\$ (194,109)	\$ 174,855	\$ 212,045	\$ 2,650,966

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Air Quality Improvement	Traffic Safety	Measure I (2010)	Open Space
Revenues:				
Taxes	\$ -	\$ -	\$ 1,039,417	\$ -
Licenses and permits	-	251,243	-	130,020
Intergovernmental	87,110	-	-	-
Charges for services	-	-	-	-
Use of money and property	7,187	-	29,647	22,259
Miscellaneous	-	-	-	-
Total Revenues	94,297	251,243	1,069,064	152,279
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	14,250
Highway and streets	-	-	-	-
Capital outlay	118,933	-	-	48,715
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	118,933	-	-	62,965
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,636)	251,243	1,069,064	89,314
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(228,508)	-	-
Total Other Financing Sources (Uses)	-	(228,508)	-	-
Net Change in Fund Balances	(24,636)	22,735	1,069,064	89,314
Fund Balances, Beginning of Year	665,176	(7,716)	3,829,452	2,127,388
Fund Balances, End of Year	\$ 640,540	\$ 15,019	\$ 4,898,516	\$ 2,216,702

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	Downtown Redlands Business Area	Parking Authority	General Capital Improvement	Community Development Block Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	519,051	369,119
Charges for services	261,631	-	-	-
Use of money and property	2,684	6,470	-	-
Miscellaneous	25,923	-	-	-
Total Revenues	290,238	6,470	519,051	369,119
Expenditures:				
Current:				
General government	281,315	19,577	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	342,463
Highway and streets	-	-	444,449	-
Capital outlay	-	-	118,589	26,958
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	281,315	19,577	563,038	369,421
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,923	(13,107)	(43,987)	(302)
Other Financing Sources (Uses):				
Transfers in	-	-	-	7,038
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	7,038
Net Change in Fund Balances	8,923	(13,107)	(43,987)	6,736
Fund Balances, Beginning of Year	221,423	8,759	45,107	(12,346)
Fund Balances, End of Year	\$ 230,346	\$ (4,348)	\$ 1,120	\$ (5,610)

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

(CONTINUED)

	Special Revenue Funds			
	Neighborhood Initiative Program	Asset Forfeiture	Police Grants	Supplemental Law Enforcement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,774	-	1,272,097	102,279
Charges for services	-	-	-	-
Use of money and property	-	-	-	1,772
Miscellaneous	-	489,890	126,961	-
Total Revenues	2,774	489,890	1,399,058	104,051
Expenditures:				
Current:				
General government	2,774	-	-	-
Public safety	-	292,140	1,292,320	102,279
Culture and recreation	-	-	-	-
Highway and streets	-	-	-	-
Capital outlay	-	130,742	151,482	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	2,774	422,882	1,443,802	102,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	67,008	(44,744)	1,772
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	67,008	(44,744)	1,772
Fund Balances, Beginning of Year	-	537,027	65,910	(23,654)
Fund Balances, End of Year	\$ -	\$ 604,035	\$ 21,166	\$ (21,882)

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	Park and Open Space	Arterial Street Construction	Traffic Signals	Freeway Interchanges
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	341,704	192,094	83,326	332,229
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	9,733	11,084	4,686	4,337
Miscellaneous	-	-	-	-
Total Revenues	351,437	203,178	88,012	336,566
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	16,681	-	-	-
Highway and streets	-	3,842	1,667	6,645
Capital outlay	39,955	-	-	-
Debt service:				
Principal retirement	49,047	-	-	-
Interest and fiscal charges	53,427	-	-	-
Total Expenditures	159,110	3,842	1,667	6,645
Excess (Deficiency) of Revenues Over (Under) Expenditures	192,327	199,336	86,345	329,921
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(1,933)	-	-	-
Total Other Financing Sources (Uses)	(1,933)	-	-	-
Net Change in Fund Balances	190,394	199,336	86,345	329,921
Fund Balances, Beginning of Year	1,009,018	1,583,497	659,845	573,860
Fund Balances, End of Year	\$ 1,199,412	\$ 1,782,833	\$ 746,190	\$ 903,781

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Street Lighting District #1	CFD 2004-1 Assessment	Landscape Maintenance District	Disaster Recovery
Revenues:				
Taxes	\$ 25,497	\$ 128,635	\$ 26,925	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	225,537
Charges for services	-	-	-	-
Use of money and property	-	1,401	-	-
Miscellaneous	-	-	-	-
Total Revenues	25,497	130,036	26,925	225,537
Expenditures:				
Current:				
General government	-	102,811	38,407	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Highway and streets	25,459	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	25,459	102,811	38,407	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	38	27,225	(11,482)	225,537
Other Financing Sources (Uses):				
Transfers in	30	-	11,134	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	30	-	11,134	-
Net Change in Fund Balances	68	27,225	(348)	225,537
Fund Balances, Beginning of Year	158	121,590	95	(796,503)
Fund Balances, End of Year	\$ 226	\$ 148,815	\$ (253)	\$ (570,966)

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Capital Projects Funds	Debt Service Funds		Permanent Funds
	Storm Drain	General Debt Service	Redlands Public Improvement Corporation	Cemetery Endowment
Revenues:				
Taxes	\$ -	\$ 697,361	\$ -	\$ -
Licenses and permits	144,723	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	24,267	21,394	(3,728)	-
Miscellaneous	-	-	-	65,760
Total Revenues	168,990	718,755	(3,728)	65,760
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Highway and streets	211,350	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	2,085,000	1,675,000	-
Interest and fiscal charges	-	1,166,231	243,703	-
Total Expenditures	211,350	3,251,231	1,918,703	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,360)	(2,532,476)	(1,922,431)	65,760
Other Financing Sources (Uses):				
Transfers in	-	2,750,928	1,922,431	-
Transfers out	(1,933)	-	-	-
Total Other Financing Sources (Uses)	(1,933)	2,750,928	1,922,431	-
Net Change in Fund Balances	(44,293)	218,452	-	65,760
Fund Balances, Beginning of Year	2,155,569	3,707,647	-	1,959,462
Fund Balances, End of Year	\$ 2,111,276	\$ 3,926,099	\$ -	\$ 2,025,222

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Total Governmental Funds
Revenues:	
Taxes	\$ 3,011,263
Licenses and permits	1,475,339
Intergovernmental	4,816,086
Charges for services	390,079
Use of money and property	190,815
Miscellaneous	778,840
	<hr/>
Total Revenues	10,662,422
	<hr/>
Expenditures:	
Current:	
General government	444,884
Public safety	5,708,462
Culture and recreation	373,394
Highway and streets	1,036,618
Capital outlay	750,184
Debt service:	
Principal retirement	3,846,312
Interest and fiscal charges	1,468,430
	<hr/>
Total Expenditures	13,628,284
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,965,862)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	7,504,624
Transfers out	(2,526,773)
	<hr/>
Total Other Financing Sources (Uses)	4,977,851
	<hr/>
Net Change in Fund Balances	2,011,989
	<hr/>
Fund Balances, Beginning of Year	21,700,007
	<hr/>
Fund Balances, End of Year	\$ 23,711,996
	<hr/> <hr/>

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICE
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (189,013)	\$ (189,013)	\$ (189,013)	\$ -
Resources (Inflows):				
Taxes	1,100,000	1,050,345	1,093,428	43,083
Charges for services	1,000	11,000	12,577	1,577
Miscellaneous	-	73,567	70,306	(3,261)
Transfers in	2,921,954	2,986,061	2,769,303	(216,758)
Amounts Available for Appropriations	3,833,941	3,931,960	3,756,601	(175,359)
Charges to Appropriation (Outflow):				
Public safety	3,980,620	3,877,126	3,895,310	(18,184)
Capital outlay	-	12,500	13,066	(566)
Debt service:				
Principal retirement	37,265	37,265	37,265	-
Interest and fiscal charges	5,069	5,069	5,069	-
Total Charges to Appropriations	4,022,954	3,931,960	3,950,710	(18,750)
Budgetary Fund Balance, June 30	\$ (189,013)	\$ -	\$ (194,109)	\$ (194,109)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
HOUSEHOLD HAZARDOUS WASTE
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 219,913	\$ 219,913	\$ 219,913	\$ -
Resources (Inflows):				
Intergovernmental	8,500	45,720	335	(45,385)
Charges for services	100,000	114,969	115,871	902
Amounts Available for Appropriations	328,413	380,602	336,119	(44,483)
Charges to Appropriation (Outflow):				
Public safety	162,815	151,736	126,413	25,323
Capital outlay	-	37,007	34,851	2,156
Total Charges to Appropriations	162,815	188,743	161,264	27,479
Budgetary Fund Balance, June 30	\$ 165,598	\$ 191,859	\$ 174,855	\$ (17,004)

CITY OF REDLANDS

BUDGETARY COMPARISON SCHEDULE
 STATE GAS TAX
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 268,660	\$ 268,660	\$ 268,660	\$ -
Resources (Inflows):				
Intergovernmental	2,089,347	2,024,517	2,237,784	213,267
Amounts Available for Appropriations	2,358,007	2,293,177	2,506,444	213,267
Charges to Appropriation (Outflow):				
Transfers out	2,089,347	2,024,517	2,294,399	(269,882)
Total Charges to Appropriations	2,089,347	2,024,517	2,294,399	(269,882)
Budgetary Fund Balance, June 30	\$ 268,660	\$ 268,660	\$ 212,045	\$ (56,615)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
MEASURE I SALES TAX
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,969,683	\$ 2,969,683	\$ 2,969,683	\$ -
Resources (Inflows):				
Intergovernmental	973,770	-	-	-
Use of money and property	10,000	10,000	47,622	37,622
Transfers in	-	644,316	43,760	(600,556)
Amounts Available for Appropriations	3,953,453	3,623,999	3,061,065	(562,934)
Charges to Appropriation (Outflow):				
Highway and streets	248,682	290,151	343,206	(53,055)
Capital outlay	975,000	3,333,849	66,893	3,266,956
Total Charges to Appropriations	1,223,682	3,624,000	410,099	3,213,901
Budgetary Fund Balance, June 30	\$ 2,729,771	\$ (1)	\$ 2,650,966	\$ 2,650,967

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 665,176	\$ 665,176	\$ 665,176	\$ -
Resources (Inflows):				
Intergovernmental	81,000	81,000	87,110	6,110
Use of money and property	4,500	4,500	7,187	2,687
Amounts Available for Appropriations	750,676	750,676	759,473	8,797
Charges to Appropriation (Outflow):				
General government	-	29,969	-	29,969
Capital outlay	-	429,557	118,933	310,624
Total Charges to Appropriations	-	459,526	118,933	340,593
Budgetary Fund Balance, June 30	\$ 750,676	\$ 291,150	\$ 640,540	\$ 349,390

CITY OF REDLANDS

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (7,716)	\$ (7,716)	\$ (7,716)	\$ -
Resources (Inflows):				
Licenses and permits	449,270	223,450	251,243	27,793
Amounts Available for Appropriations	441,554	215,734	243,527	27,793
Charges to Appropriation (Outflow):				
General government	750	750	-	750
Transfers out	448,520	214,984	228,508	(13,524)
Total Charges to Appropriations	449,270	215,734	228,508	(12,774)
Budgetary Fund Balance, June 30	\$ (7,716)	\$ -	\$ 15,019	\$ 15,019

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
MEASURE I (2010)
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,829,452	\$ 3,829,452	\$ 3,829,452	\$ -
Resources (Inflows):				
Taxes	-	975,000	1,039,417	64,417
Use of money and property	-	6,000	29,647	23,647
Amounts Available for Appropriations	3,829,452	4,810,452	4,898,516	88,064
Charges to Appropriation (Outflow):				
Transfers out	-	3,644,316	-	3,644,316
Total Charges to Appropriations	-	3,644,316	-	3,644,316
Budgetary Fund Balance, June 30	\$ 3,829,452	\$ 1,166,136	\$ 4,898,516	\$ 3,732,380

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
OPEN SPACE
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,127,388	\$ 2,127,388	\$ 2,127,388	\$ -
Resources (Inflows):				
Licenses and permits	30,000	100,000	130,020	30,020
Use of money and property	20,000	10,000	22,259	12,259
Amounts Available for Appropriations	2,177,388	2,237,388	2,279,667	42,279
Charges to Appropriation (Outflow):				
Culture and recreation	6,000	15,000	14,250	750
Capital outlay	-	48,715	48,715	-
Total Charges to Appropriations	6,000	63,715	62,965	750
Budgetary Fund Balance, June 30	\$ 2,171,388	\$ 2,173,673	\$ 2,216,702	\$ 43,029

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
DOWNTOWN REDLANDS BUSINESS AREA
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 221,423	\$ 221,423	\$ 221,423	\$ -
Resources (Inflows):				
Licenses and permits	-	294	-	(294)
Charges for services	236,000	250,000	261,631	11,631
Use of money and property	-	1,498	2,684	1,186
Miscellaneous	37,535	27,584	25,923	(1,661)
Amounts Available for Appropriations	494,958	500,799	511,661	10,862
Charges to Appropriation (Outflow):				
General government	295,481	275,658	281,315	(5,657)
Total Charges to Appropriations	295,481	275,658	281,315	(5,657)
Budgetary Fund Balance, June 30	\$ 199,477	\$ 225,141	\$ 230,346	\$ 5,205

CITY OF REDLANDS

BUDGETARY COMPARISON SCHEDULE
 PARKING AUTHORITY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,759	\$ 8,759	\$ 8,759	\$ -
Resources (Inflows):				
Use of money and property	7,000	7,000	6,470	(530)
Amounts Available for Appropriations	15,759	15,759	15,229	(530)
Charges to Appropriation (Outflow):				
General government	18,400	19,031	19,577	(546)
Total Charges to Appropriations	18,400	19,031	19,577	(546)
Budgetary Fund Balance, June 30	\$ (2,641)	\$ (3,272)	\$ (4,348)	\$ (1,076)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 45,107	\$ 45,107	\$ 45,107	\$ -
Resources (Inflows):				
Intergovernmental	-	3,237,575	519,051	(2,718,524)
Amounts Available for Appropriations	45,107	3,282,682	564,158	(2,718,524)
Charges to Appropriation (Outflow):				
Highway and streets	-	1,988,725	444,449	1,544,276
Capital outlay	-	780,000	118,589	661,411
Total Charges to Appropriations	-	2,768,725	563,038	2,205,687
Budgetary Fund Balance, June 30	\$ 45,107	\$ 513,957	\$ 1,120	\$ (512,837)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (12,346)	\$ (12,346)	\$ (12,346)	\$ -
Resources (Inflows):				
Licenses and permits	700	400	-	(400)
Intergovernmental	437,105	1,017,136	369,119	(648,017)
Transfers in	-	-	7,038	7,038
Amounts Available for Appropriations	425,459	1,005,190	363,811	(641,379)
Charges to Appropriation (Outflow):				
Culture and recreation	437,105	447,971	342,463	105,508
Capital outlay	-	527,958	26,958	501,000
Total Charges to Appropriations	437,105	975,929	369,421	606,508
Budgetary Fund Balance, June 30	\$ (11,646)	\$ 29,261	\$ (5,610)	\$ (34,871)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
NEIGHBORHOOD INITIATIVE PROGRAM
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	2,772	2,774	2
Amounts Available for Appropriations	-	2,772	2,774	2
Charges to Appropriation (Outflow):				
General government	-	2,772	2,774	(2)
Total Charges to Appropriations	-	2,772	2,774	(2)
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 537,027	\$ 537,027	\$ 537,027	\$ -
Resources (Inflows):				
Miscellaneous	294,480	356,177	489,890	133,713
Amounts Available for Appropriations	831,507	893,204	1,026,917	133,713
Charges to Appropriation (Outflow):				
Public safety	319,577	323,300	292,140	31,160
Capital outlay	35,000	166,742	130,742	36,000
Total Charges to Appropriations	354,577	490,042	422,882	67,160
Budgetary Fund Balance, June 30	\$ 476,930	\$ 403,162	\$ 604,035	\$ 200,873

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 65,910	\$ 65,910	\$ 65,910	\$ -
Resources (Inflows):				
Intergovernmental	-	2,403,313	1,272,097	(1,131,216)
Miscellaneous	-	126,911	126,961	50
Amounts Available for Appropriations	65,910	2,596,134	1,464,968	(1,131,166)
Charges to Appropriation (Outflow):				
Public safety	-	2,317,562	1,292,320	1,025,242
Capital outlay	-	35,377	151,482	(116,105)
Total Charges to Appropriations	-	2,352,939	1,443,802	909,137
Budgetary Fund Balance, June 30	\$ 65,910	\$ 243,195	\$ 21,166	\$ (222,029)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (23,654)	\$ (23,654)	\$ (23,654)	\$ -
Resources (Inflows):				
Intergovernmental	-	128,997	102,279	(26,718)
Use of money and property	-	-	1,772	1,772
Amounts Available for Appropriations	(23,654)	105,343	80,397	(24,946)
Charges to Appropriation (Outflow):				
Public safety	106,721	105,344	102,279	3,065
Total Charges to Appropriations	106,721	105,344	102,279	3,065
Budgetary Fund Balance, June 30	\$ (130,375)	\$ (1)	\$ (21,882)	\$ (21,881)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
PARK AND OPEN SPACE
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,009,018	\$ 1,009,018	\$ 1,009,018	\$ -
Resources (Inflows):				
Licenses and permits	2,000	313,017	341,704	28,687
Use of money and property	10,000	5,200	9,733	4,533
Amounts Available for Appropriations	1,021,018	1,327,235	1,360,455	33,220
Charges to Appropriation (Outflow):				
Culture and recreation	6,305	15,162	16,681	(1,519)
Capital outlay	-	39,956	39,955	1
Debt service:				
Principal retirement	49,047	49,047	49,047	-
Interest and fiscal charges	53,427	53,427	53,427	-
Transfers out	-	-	1,933	(1,933)
Total Charges to Appropriations	108,779	157,592	161,043	(3,451)
Budgetary Fund Balance, June 30	\$ 912,239	\$ 1,169,643	\$ 1,199,412	\$ 29,769

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
ARTERIAL STREET CONSTRUCTION
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,583,497	\$ 1,583,497	\$ 1,583,497	\$ -
Resources (Inflows):				
Licenses and permits	100,000	230,181	192,094	(38,087)
Use of money and property	10,000	17,000	11,084	(5,916)
Amounts Available for Appropriations	1,693,497	1,830,678	1,786,675	(44,003)
Charges to Appropriation (Outflow):				
Highway and streets	5,000	5,000	3,842	1,158
Total Charges to Appropriations	5,000	5,000	3,842	1,158
Budgetary Fund Balance, June 30	\$ 1,688,497	\$ 1,825,678	\$ 1,782,833	\$ (42,845)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SIGNALS
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 659,845	\$ 659,845	\$ 659,845	\$ -
Resources (Inflows):				
Licenses and permits	25,000	89,674	83,326	(6,348)
Use of money and property	6,000	6,600	4,686	(1,914)
Amounts Available for Appropriations	690,845	756,119	747,857	(8,262)
Charges to Appropriation (Outflow):				
Highway and streets	760	1,760	1,667	93
Total Charges to Appropriations	760	1,760	1,667	93
Budgetary Fund Balance, June 30	\$ 690,085	\$ 754,359	\$ 746,190	\$ (8,169)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
 FREEWAY INTERCHANGES
 YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 573,860	\$ 573,860	\$ 573,860	\$ -
Resources (Inflows):				
Licenses and permits	75,000	253,601	332,229	78,628
Use of money and property	4,000	5,260	4,337	(923)
Amounts Available for Appropriations	652,860	832,721	910,426	77,705
Charges to Appropriation (Outflow):				
Highway and streets	2,500	4,500	6,645	(2,145)
Total Charges to Appropriations	2,500	4,500	6,645	(2,145)
Budgetary Fund Balance, June 30	\$ 650,360	\$ 828,221	\$ 903,781	\$ 75,560

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT #1
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 158	\$ 158	\$ 158	\$ -
Resources (Inflows):				
Taxes	26,000	25,000	25,497	497
Transfers in	-	-	30	30
Amounts Available for Appropriations	26,158	25,158	25,685	527
Charges to Appropriation (Outflow):				
Highway and streets	12,486	25,000	25,459	(459)
Total Charges to Appropriations	12,486	25,000	25,459	(459)
Budgetary Fund Balance, June 30	\$ 13,672	\$ 158	\$ 226	\$ 68

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
CFD 2004-1 ASSESSMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 121,590	\$ 121,590	\$ 121,590	\$ -
Resources (Inflows):				
Taxes	120,000	125,000	128,635	3,635
Use of money and property	5,500	3,500	1,401	(2,099)
Amounts Available for Appropriations	247,090	250,090	251,626	1,536
Charges to Appropriation (Outflow):				
General government	102,158	100,086	102,811	(2,725)
Total Charges to Appropriations	102,158	100,086	102,811	(2,725)
Budgetary Fund Balance, June 30	\$ 144,932	\$ 150,004	\$ 148,815	\$ (1,189)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 95	\$ 95	\$ 95	\$ -
Resources (Inflows):				
Taxes	30,000	30,000	26,925	(3,075)
Transfers in	-	-	11,134	11,134
Amounts Available for Appropriations	30,095	30,095	38,154	8,059
Charges to Appropriation (Outflow):				
General government	30,000	30,000	38,407	(8,407)
Total Charges to Appropriations	30,000	30,000	38,407	(8,407)
Budgetary Fund Balance, June 30	\$ 95	\$ 95	\$ (253)	\$ (348)

CITY OF REDLANDS

BUDGETARY COMPARISON SCHEDULE
DISASTER RECOVERY
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (796,503)	\$ (796,503)	\$ (796,503)	\$ -
Resources (Inflows):				
Intergovernmental	-	150,000	225,537	75,537
Amounts Available for Appropriations	(796,503)	(646,503)	(570,966)	75,537
Charges to Appropriation (Outflow):				
Capital outlay	-	55,881	-	55,881
Total Charges to Appropriations	-	55,881	-	55,881
Budgetary Fund Balance, June 30	\$ (796,503)	\$ (702,384)	\$ (570,966)	\$ 131,418

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
STORM DRAIN
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,155,569	\$ 2,155,569	\$ 2,155,569	\$ -
Resources (Inflows):				
Licenses and permits	5,000	138,192	144,723	6,531
Use of money and property	15,000	20,000	24,267	4,267
Amounts Available for Appropriations	2,175,569	2,313,761	2,324,559	10,798
Charges to Appropriation (Outflow):				
Highway and streets	206,377	125,973	211,350	(85,377)
Capital outlay	-	200,428	-	200,428
Transfers out	-	-	1,933	(1,933)
Total Charges to Appropriations	206,377	326,401	213,283	113,118
Budgetary Fund Balance, June 30	\$ 1,969,192	\$ 1,987,360	\$ 2,111,276	\$ 123,916

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
GENERAL DEBT SERVICE
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,707,647	\$ 3,707,647	\$ 3,707,647	\$ -
Resources (Inflows):				
Taxes	745,000	745,000	697,361	(47,639)
Use of money and property	18,000	10,000	21,394	11,394
Transfers in	2,633,889	2,633,889	2,750,928	117,039
Amounts Available for Appropriations	7,104,536	7,096,536	7,177,330	80,794
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	2,085,000	2,085,000	2,085,000	-
Interest and fiscal charges	1,168,853	1,168,856	1,166,231	2,625
Total Charges to Appropriations	3,253,853	3,253,856	3,251,231	2,625
Budgetary Fund Balance, June 30	\$ 3,850,683	\$ 3,842,680	\$ 3,926,099	\$ 83,419

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
 REDLANDS PUBLIC IMPROVEMENT CORPORATION
 YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	-	(3,728)	(3,728)
Transfers in	1,919,251	1,918,703	1,922,431	3,728
Amounts Available for Appropriations	1,919,251	1,918,703	1,918,703	-
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	1,675,000	1,675,000	1,675,000	-
Interest and fiscal charges	244,251	243,703	243,703	-
Total Charges to Appropriations	1,919,251	1,918,703	1,918,703	-
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
CEMETARY ENDOWMENT
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,959,462	\$ 1,959,462	\$ 1,959,462	\$ -
Resources (Inflows):				
Miscellaneous	60,000	59,777	65,760	5,983
Amounts Available for Appropriations	2,019,462	2,019,239	2,025,222	5,983
Budgetary Fund Balance, June 30	\$ 2,019,462	\$ 2,019,239	\$ 2,025,222	\$ 5,983

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CITY OF REDLANDS

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				
	Groves	Non-Potable Water	Cemetery	Aviation	Totals
Assets:					
Current:					
Cash and investments	\$ 113,638	\$ 2,081,133	\$ 780,919	\$ 141,432	\$ 3,117,122
Receivables:					
Accounts	-	-	23,991	1,101	25,092
Prepaid costs	227	81	1,999	885	3,192
Due from other governments	-	-	250	-	250
Total Current Assets	113,865	2,081,214	807,159	143,418	3,145,656
Noncurrent:					
Capital assets - net of accumulated depreciation	13,766,314	48,669	651,091	3,972,268	18,438,342
Total Noncurrent Assets	13,766,314	48,669	651,091	3,972,268	18,438,342
Total Assets	\$ 13,880,179	\$ 2,129,883	\$ 1,458,250	\$ 4,115,686	\$ 21,583,998
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 51,368	\$ -	\$ 9,005	\$ 3,420	\$ 63,793
Accrued payroll	1,352	2,112	15,395	4,111	22,970
Deposits payable	-	-	717,192	1,431	718,623
Accrued compensated absences	-	-	9,718	-	9,718
Total Current Liabilities	52,720	2,112	751,310	8,962	815,104
Noncurrent:					
Advances from other funds	-	-	1,213,412	1,022,796	2,236,208
Accrued compensated absences	-	-	3,239	-	3,239
OPEB obligation	-	-	147,877	-	147,877
Total Noncurrent Liabilities	-	-	1,364,528	1,022,796	2,387,324
Total Liabilities	52,720	2,112	2,115,838	1,031,758	3,202,428
Net Position:					
Net investment in capital assets	13,766,314	48,669	651,091	3,972,268	18,438,342
Unrestricted	61,145	2,079,102	(1,308,679)	(888,340)	(56,772)
Total Net Position	13,827,459	2,127,771	(657,588)	3,083,928	18,381,570
Total Liabilities and Net Position	\$ 13,880,179	\$ 2,129,883	\$ 1,458,250	\$ 4,115,686	\$ 21,583,998

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable Water	Cemetery	Aviation	
Operating Revenues:					
Sales and service charges	\$ 740,707	\$ 554,914	\$ 371,968	\$ -	\$ 1,667,589
Miscellaneous	265,517	-	97,577	276,020	639,114
Total Operating Revenues	1,006,224	554,914	469,545	276,020	2,306,703
Operating Expenses:					
Administration and general	606,581	6,273	226,966	204,683	1,044,503
Transmission, distribution & treatment	-	48,258	-	-	48,258
Depreciation expense	-	-	620	120,784	121,404
Personnel services	23,650	27,366	254,828	94,250	400,094
Repairs and maintenance	-	-	8,526	2,689	11,215
Total Operating Expenses	630,231	81,897	490,940	422,406	1,625,474
Operating Income (Loss)	375,993	473,017	(21,395)	(146,386)	681,229
Nonoperating Revenues (Expenses):					
Interest revenue	(816)	18,129	29,460	2,661	49,434
Interest expense	(355)	-	(2,945)	(2,777)	(6,077)
Miscellaneous income	-	-	27,000	4,230	31,230
Property taxes	-	-	-	34,597	34,597
Grants	-	-	-	20,000	20,000
Total Nonoperating Revenues (Expenses)	(1,171)	18,129	53,515	58,711	129,184
Income (Loss) Before Transfers	374,822	491,146	32,120	(87,675)	810,413
Transfers in	4,995	504,043	-	-	509,038
Transfers out	-	(205,889)	-	-	(205,889)
Changes in Net Position	379,817	789,300	32,120	(87,675)	1,113,562
Net Position:					
Beginning of Year	13,447,642	1,338,471	(689,708)	3,171,603	17,268,008
End of Fiscal Year	\$ 13,827,459	\$ 2,127,771	\$ (657,588)	\$ 3,083,928	\$ 18,381,570

CITY OF REDLANDS

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable	Cemetery	Aviation	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 1,016,057	\$ 554,914	\$ 490,029	\$ 334,397	\$ 2,395,397
Cash paid to suppliers for goods and services	(28,442)	(94,782)	(234,678)	(98,618)	(456,520)
Cash paid to employees for services	(606,083)	(6,520)	(183,331)	(203,982)	(999,916)
Net Cash Provided (Used) by Operating Activities	381,532	453,612	72,020	31,797	938,961
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	-	(205,889)	-	-	(205,889)
Cash transfers in	4,995	504,043	-	-	509,038
Cash received from other activities	-	-	27,000	4,230	31,230
Repayment made to other funds	(70,366)	-	-	-	(70,366)
Advance to other funds	(201,352)	-	(1,055)	(122,223)	(324,630)
Intergovernmental	-	-	-	46,783	46,783
Grants received	-	-	-	20,000	20,000
Net Cash Provided (Used) by Non-Capital Financing Activities	(266,723)	298,154	25,945	(51,210)	6,166
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	(48,669)	-	-	(48,669)
Interest paid on long-term debt	(355)	-	(2,945)	(2,777)	(6,077)
Net Cash Provided (Used) by Capital and Related Financing Activities	(355)	(48,669)	(2,945)	(2,777)	(54,746)
Cash Flows from Investing Activities:					
Interest received	(816)	18,129	29,460	2,661	49,434
Net Cash Provided (Used) by Investing Activities	(816)	18,129	29,460	2,661	49,434
Net Increase (Decrease) in Cash and Cash Equivalents	113,638	721,226	124,480	(19,529)	939,815
Cash and Cash Equivalents at Beginning of Year	-	1,359,907	656,439	160,961	2,177,307
Cash and Cash Equivalents at End of Year	\$ 113,638	\$ 2,081,133	\$ 780,919	\$ 141,432	\$ 3,117,122
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 375,993	\$ 473,017	\$ (21,395)	\$ (146,386)	\$ 681,229
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	620	120,784	121,404
(Increase) decrease in accounts receivable	9,833	-	20,365	58,377	88,575
(Increase) decrease in due from other governments	-	-	119	-	119
(Increase) decrease in prepaid expense	(67)	112	621	(170)	496
Increase (decrease) in accounts payable	(4,725)	(19,270)	4,029	(1,509)	(21,475)
Increase (decrease) in accrued payroll	498	(247)	1,229	701	2,181
Increase (decrease) in deposits payable	-	-	24,026	-	24,026
Increase (decrease) in net OPEB obligation	-	-	40,227	-	40,227
Increase (decrease) in compensated absences	-	-	2,179	-	2,179
Total Adjustments	5,539	(19,405)	93,415	178,183	257,732
Net Cash Provided (Used) by Operating Activities	\$ 381,532	\$ 453,612	\$ 72,020	\$ 31,797	\$ 938,961

CITY OF REDLANDS

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014**

	Governmental Activities - Internal Service Funds			
	Liability Self- Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Assets:				
Current:				
Cash and investments	\$ 1,968,696	\$ 128,910	\$ 1,059,179	\$ -
Receivables:				
Accounts	-	-	-	38,682
Prepaid costs	402	3,343	333	5,259
Due from other governments	-	-	219	1,192
Inventories	-	-	-	143,262
Total Current Assets	1,969,098	132,253	1,059,731	188,395
Noncurrent:				
Capital assets - net of accumulated depreciation	-	108,704	-	104,521
Total Noncurrent Assets	-	108,704	-	104,521
Total Assets	\$ 1,969,098	\$ 240,957	\$ 1,059,731	\$ 292,916
Liabilities and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 32,189	\$ 57,717	\$ 97,001	\$ 139,254
Accrued payroll	7,223	35,016	9,532	34,830
Accrued compensated absences	12,918	93,102	955	24,504
Accrued claims and judgments	702,826	-	991,833	-
Total Current Liabilities	755,156	185,835	1,099,321	198,588
Noncurrent:				
Accrued compensated absences	108,917	44,074	6,656	44,513
Accrued claims and judgments	702,825	-	991,834	-
Net OPEB obligation	59,249	867,006	3,756	531,726
Total Noncurrent Liabilities	870,991	911,080	1,002,246	576,239
Total Liabilities	1,626,147	1,096,915	2,101,567	774,827
Net Position:				
Net investment in capital assets	-	108,704	-	104,521
Unrestricted	342,951	(964,662)	(1,041,836)	(586,432)
Total Net Position	342,951	(855,958)	(1,041,836)	(481,911)
Total Liabilities and Net Position	\$ 1,969,098	\$ 240,957	\$ 1,059,731	\$ 292,916

CITY OF REDLANDS

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014**

	Governmental Activities - Internal Service Funds		
	Utility Billing	Payroll Clearing	Totals
Assets:			
Current:			
Cash and investments	\$ 1,990,429	\$ 201,260	\$ 5,348,474
Receivables:			
Accounts	3,669	-	42,351
Prepaid costs	5,900	-	15,237
Due from other governments	-	-	1,411
Inventories	-	-	143,262
Total Current Assets	1,999,998	201,260	5,550,735
Noncurrent:			
Capital assets - net of accumulated depreciation	-	-	213,225
Total Noncurrent Assets	-	-	213,225
Total Assets	\$ 1,999,998	\$ 201,260	\$ 5,763,960
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 6,664	\$ 201,260	\$ 534,085
Accrued payroll	41,638	-	128,239
Accrued compensated absences	28,106	-	159,585
Accrued claims and judgments	-	-	1,694,659
Total Current Liabilities	76,408	201,260	2,516,568
Noncurrent:			
Accrued compensated absences	50,987	-	255,147
Accrued claims and judgments	-	-	1,694,659
Net OPEB obligation	653,021	-	2,114,758
Total Noncurrent Liabilities	704,008	-	4,064,564
Total Liabilities	780,416	201,260	6,581,132
Net Position:			
Net investment in capital assets	-	-	213,225
Unrestricted	1,219,582	-	(1,030,397)
Total Net Position	1,219,582	-	(817,172)
Total Liabilities and Net Position	\$ 1,999,998	\$ 201,260	\$ 5,763,960

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds			
	Liability Self- Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Operating Revenues:				
Sales and service charges	\$ -	\$ 2,494,592	\$ 1,814,986	\$ 4,353,969
Miscellaneous	6,714	-	219	6,580
Total Operating Revenues	6,714	2,494,592	1,815,205	4,360,549
Operating Expenses:				
Administration and general	1,513,370	1,947,882	750,512	1,254,798
Depreciation expense	-	51,434	-	11,404
Personnel services	130,889	889,134	489,939	599,398
Repairs and maintenance	-	-	-	2,561,528
Premiums paid out	240,167	-	115,706	-
Total Operating Expenses	1,884,426	2,888,450	1,356,157	4,427,128
Operating Income (Loss)	(1,877,712)	(393,858)	459,048	(66,579)
Nonoperating Revenues (Expenses):				
Interest revenue	(4,401)	4,265	8,755	(2,724)
Total Nonoperating Revenues (Expenses)	(4,401)	4,265	8,755	(2,724)
Income (Loss) Before Transfers	(1,882,113)	(389,593)	467,803	(69,303)
Transfers in	2,800,000	-	-	-
Transfers out	-	-	-	-
Changes in Net Position	917,887	(389,593)	467,803	(69,303)
Net Position:				
Beginning of Year	(574,936)	(466,365)	(1,509,639)	(412,608)
End of Fiscal Year	\$ 342,951	\$ (855,958)	\$ (1,041,836)	\$ (481,911)

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds		
	Utility Billing	Payroll Clearing	Totals
Operating Revenues:			
Sales and service charges	\$ 959,670	\$ 2,750,928	\$ 12,374,145
Miscellaneous	530,803	-	544,316
Total Operating Revenues	1,490,473	2,750,928	12,918,461
Operating Expenses:			
Administration and general	610,923	-	6,077,485
Depreciation expense	-	-	62,838
Personnel services	724,576	-	2,833,936
Repairs and maintenance	6,067	-	2,567,595
Premiums paid out	-	-	355,873
Total Operating Expenses	1,341,566	-	11,897,727
Operating Income (Loss)	148,907	2,750,928	1,020,734
Nonoperating Revenues (Expenses):			
Interest revenue	19,897	-	25,792
Total Nonoperating Revenues (Expenses)	19,897	-	25,792
Income (Loss) Before Transfers	168,804	2,750,928	1,046,526
Transfers in	-	-	2,800,000
Transfers out	-	(2,750,928)	(2,750,928)
Changes in Net Position	168,804	-	1,095,598
Net Position:			
Beginning of Year	1,050,778	-	(1,912,770)
End of Fiscal Year	\$ 1,219,582	\$ -	\$ (817,172)

CITY OF REDLANDS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds			
	Liability Self- Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Cash Flows from Operating Activities:				
Cash received from user departments	\$ 6,714	\$ 2,494,592	\$ 1,815,179	\$ 4,378,429
Cash paid to suppliers for goods and services	(1,498,736)	(1,988,656)	(693,638)	(3,734,992)
Cash payments for claims	279,484	-	(686,039)	-
Cash paid to employees for services	(115,871)	(905,474)	(478,838)	(594,300)
Net Cash Provided (Used) by Operating Activities	(1,328,409)	(399,538)	(43,336)	49,137
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	-
Cash transfers in	2,800,000	-	-	-
Payment received from other funds	-	-	-	-
Repayment made to other funds	-	-	-	(25,405)
Net Cash Provided (Used) by Non-Capital Financing Activities	2,800,000	-	-	(25,405)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(121,693)	-	(21,008)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(121,693)	-	(21,008)
Cash Flows from Investing Activities:				
Interest received	(4,401)	4,265	8,755	(2,724)
Net Cash Provided (Used) by Investing Activities	(4,401)	4,265	8,755	(2,724)
Net Increase (Decrease) in Cash and Cash Equivalents	1,467,190	(516,966)	(34,581)	-
Cash and Cash Equivalents at Beginning of Year	501,506	645,876	1,093,760	-
Cash and Cash Equivalents at End of Year	\$ 1,968,696	\$ 128,910	\$ 1,059,179	\$ -

CITY OF REDLANDS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>			
	<u>Liability Self-Insurance</u>	<u>Information Technology</u>	<u>Workers' Compensation Self-Insurance</u>	<u>Equipment Maintenance</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (1,877,712)	\$ (393,858)	\$ 459,048	\$ (66,579)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	-	51,434	-	11,404
(Increase) decrease in accounts receivable	-	-	-	17,101
(Increase) decrease in prepaids	547	1,218	891	1,189
(Increase) decrease in due from other governments	-	-	(26)	779
(Increase) decrease in inventory	-	-	-	18,169
Increase (decrease) in accounts payable	(5,094)	(208,713)	50,271	25,467
Increase (decrease) in accrued payroll	1,999	(13,889)	3,490	(2,244)
Increase (decrease) in OPEB obligation	19,181	166,721	5,712	36,509
Increase (decrease) in claims and judgments	519,651	-	(570,333)	-
Increase (decrease) in compensated absences	13,019	(2,451)	7,611	7,342
Total Adjustments	549,303	(5,680)	(502,384)	115,716
Net Cash Provided (Used) by Operating Activities	\$ (1,328,409)	\$ (399,538)	\$ (43,336)	\$ 49,137

CITY OF REDLANDS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds		
	Utility Billing	Payroll Clearing	Totals
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 1,491,204	\$ 2,750,928	\$ 12,937,046
Cash paid to suppliers for goods and services	(489,171)	(73,045)	(8,478,238)
Cash payments for claims	-	-	(406,555)
Cash paid to employees for services	(729,222)	-	(2,823,705)
Net Cash Provided (Used) by Operating Activities	272,811	2,677,883	1,228,548
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(2,750,928)	(2,750,928)
Cash transfers in	-	-	2,800,000
Payment received from other funds	25,405	-	25,405
Repayment made to other funds	-	-	(25,405)
Net Cash Provided (Used) by Non-Capital Financing Activities	25,405	(2,750,928)	49,072
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	(142,701)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(142,701)
Cash Flows from Investing Activities:			
Interest received	19,897	-	25,792
Net Cash Provided (Used) by Investing Activities	19,897	-	25,792
Net Increase (Decrease) in Cash and Cash Equivalents	318,113	(73,045)	1,160,711
Cash and Cash Equivalents at Beginning of Year	1,672,316	274,305	4,187,763
Cash and Cash Equivalents at End of Year	\$ 1,990,429	\$ 201,260	\$ 5,348,474

CITY OF REDLANDS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Utility Billing</u>	<u>Payroll Clearing</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 148,907	\$ 2,750,928	\$ 1,020,734
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	-	62,838
(Increase) decrease in accounts receivable	348	-	17,449
(Increase) decrease in prepaids	1,068	-	4,913
(Increase) decrease in due from other governments	383	-	1,136
(Increase) decrease in inventory	-	-	18,169
Increase (decrease) in accounts payable	(2,921)	(73,045)	(214,035)
Increase (decrease) in accrued payroll	1,518	-	(9,126)
Increase (decrease) in OPEB obligation	129,672	-	357,795
Increase (decrease) in claims and judgments	-	-	(50,682)
Increase (decrease) in compensated absences	(6,164)	-	19,357
Total Adjustments	123,904	(73,045)	207,814
Net Cash Provided (Used) by Operating Activities	\$ 272,811	\$ 2,677,883	\$ 1,228,548

CITY OF REDLANDS

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2014

	<u>Special Deposits</u>	<u>Community Facilities District Trust</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 4,062,362	\$ -	\$ 4,062,362
Cash and investments with fiscal agents	-	2,691,856	2,691,856
Receivables:			
Accrued interest	286,141	-	286,141
Total Assets	<u>\$ 4,348,503</u>	<u>\$ 2,691,856</u>	<u>\$ 7,040,359</u>
Liabilities:			
Accounts payable	\$ 280,716	\$ -	\$ 280,716
Deposits payable	4,067,787	2,691,856	6,759,643
Total Liabilities	<u>\$ 4,348,503</u>	<u>\$ 2,691,856</u>	<u>\$ 7,040,359</u>

CITY OF REDLANDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014**

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 3,285,700	\$ 6,107,068	\$5,330,406	\$ 4,062,362
Receivables:				
Accrued interest	187,425	206,586	107,870	286,141
Total Assets	<u>\$ 3,473,125</u>	<u>\$ 6,313,654</u>	<u>\$5,438,276</u>	<u>\$ 4,348,503</u>
Liabilities:				
Accounts payable	\$ 42,569	\$ 409,310	\$ 171,163	\$ 280,716
Deposits payable	3,430,556	3,938,325	3,301,094	4,067,787
Total Liabilities	<u>\$ 3,473,125</u>	<u>\$ 4,347,635</u>	<u>\$3,472,257</u>	<u>\$ 4,348,503</u>
<u>Community Facilities District Trust</u>				
Assets:				
Cash and investments with fiscal agents	\$ 2,622,294	\$ 4,060,201	\$3,990,639	\$ 2,691,856
Total Assets	<u>\$ 2,622,294</u>	<u>\$ 4,060,201</u>	<u>\$3,990,639</u>	<u>\$ 2,691,856</u>
Liabilities:				
Deposits payable	\$ 2,622,294	\$ 1,481,256	\$1,411,694	\$ 2,691,856
Total Liabilities	<u>\$ 2,622,294</u>	<u>\$ 1,481,256</u>	<u>\$1,411,694</u>	<u>\$ 2,691,856</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 3,285,700	\$ 6,107,068	\$5,330,406	\$ 4,062,362
Cash and investments with fiscal agents	2,622,294	4,060,201	3,990,639	2,691,856
Receivables:				
Accrued interest	187,425	206,586	107,870	286,141
Total Assets	<u>\$ 6,095,419</u>	<u>\$10,373,855</u>	<u>\$9,428,915</u>	<u>\$ 7,040,359</u>
Liabilities:				
Accounts payable	\$ 42,569	\$ 409,310	\$ 171,163	\$ 280,716
Deposits payable	6,052,850	5,419,581	4,712,788	6,759,643
Total Liabilities	<u>\$ 6,095,419</u>	<u>\$ 5,828,891</u>	<u>\$4,883,951</u>	<u>\$ 7,040,359</u>

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STATISTICAL SECTION

This part of the City of Redlands 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.

Contents	Page
Financial Trends	153
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	160
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	165
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.	
Demographic and Economic Information	170
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	172
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 provides and the activities it performs.	

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Invested in capital assets	\$ 333,560,602	\$ 338,283,471	\$ 376,161,773	\$ 475,848,979	\$ 538,505,009	\$ 552,406,654	\$ 568,588,535	\$ 592,254,886	\$ 594,654,756	\$ 609,555,372
Restricted	20,169,777	19,302,690	19,431,228	17,261,278	30,310,832	28,304,090	24,855,791	19,135,526	20,158,877	18,365,510
Unrestricted	15,269,017	21,427,233	29,808,370	62,448,864	9,510,396	(2,664,585)	(8,498,201)	(28,840,249)	(26,982,114)	(21,018,110)
Total governmental activities	\$ 368,999,396	\$ 379,013,394	\$ 425,401,371	\$ 555,559,121	\$ 578,326,237	\$ 578,046,159	\$ 584,946,125	\$ 582,550,163	\$ 587,831,519	\$ 606,902,772
Business-type activities:										
Invested in capital assets	\$ 106,786,695	\$ 101,228,505	\$ 118,629,704	\$ 129,384,736	\$ 126,384,905	\$ 131,748,403	\$ 130,856,115	\$ 132,535,317	\$ 146,926,486	\$ 157,413,884
Restricted	-	-	-	-	4,120,375	4,166,635	4,212,895	4,259,155	416,340	3,702,600
Unrestricted	17,894,867	32,616,394	28,140,260	37,237,084	47,119,032	45,773,154	53,408,410	61,219,702	52,104,617	41,100,249
Total business-type activities	\$ 124,681,562	\$ 133,844,899	\$ 146,769,964	\$ 166,621,820	\$ 177,624,312	\$ 181,688,192	\$ 188,477,420	\$ 198,014,174	\$ 199,447,443	\$ 202,216,733
Primary government:										
Invested in capital assets	\$ 440,347,297	\$ 439,511,976	\$ 494,791,477	\$ 605,233,715	\$ 664,889,914	\$ 684,155,057	\$ 699,444,650	\$ 724,790,203	\$ 741,581,242	\$ 766,969,256
Restricted	20,169,777	19,302,690	19,431,228	17,261,278	34,431,207	32,470,725	29,068,686	23,394,681	20,575,217	22,068,110
Unrestricted	33,163,884	54,043,627	57,948,630	99,685,948	56,629,428	43,108,569	44,910,209	32,379,453	25,122,503	20,082,139
Total primary government	\$ 493,680,958	\$ 512,858,293	\$ 572,171,335	\$ 722,180,941	\$ 755,950,549	\$ 759,734,351	\$ 773,423,545	\$ 780,564,337	\$ 787,278,962	\$ 809,119,505

NOTE:
The City of Redlands implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government	\$ 10,634,567	\$ 11,868,103	\$ 13,987,953	\$ 15,161,802	\$ 19,973,152	\$ 15,277,666	\$ 11,803,705	\$ 9,468,848	\$ 9,883,877	\$ 10,423,298
Public safety	32,397,475	36,994,587	36,805,550	37,623,861	38,005,815	40,002,463	38,587,942	39,036,010	40,027,122	40,235,772
Culture and recreation	2,858,152	3,692,986	3,668,992	4,129,747	4,021,267	3,610,031	3,349,080	2,810,345	2,997,558	3,041,620
Highway and streets	6,284,884	8,325,785	8,492,440	8,341,455	8,648,714	8,391,171	9,380,254	8,465,455	6,839,184	4,002,946
Library	1,806,206	1,871,418	1,845,482	1,955,443	2,082,948	2,167,109	1,964,269	1,820,554	1,968,343	1,913,756
Interest and fiscal charges	3,169,104	3,713,659	2,883,874	5,035,588	4,335,844	6,957,598	3,456,262	2,120,151	1,589,928	1,447,056
Total governmental activities expenses	57,150,388	66,466,538	67,684,291	72,247,896	77,067,740	76,406,038	68,541,512	63,721,363	63,306,012	61,064,448
Business-type activities:										
Water	15,165,061	14,882,261	14,926,296	14,112,424	15,666,955	15,813,173	16,211,193	15,328,398	20,139,662	19,437,970
Disposal	8,339,209	8,799,485	8,753,717	8,956,968	10,446,326	9,344,247	9,217,359	8,925,740	10,313,939	11,131,004
Sewer	6,945,863	6,922,541	7,458,724	7,650,890	8,021,053	7,888,041	7,882,670	7,643,531	8,080,035	8,505,197
Aviation	456,441	218,316	268,309	400,298	370,715	250,732	287,854	335,501	317,970	421,012
Cemetery	630,307	591,363	541,946	552,989	522,045	494,949	503,445	522,711	555,402	493,616
Groves	872,263	749,143	708,779	604,998	725,163	717,394	656,608	941,578	12,006,971	630,488
NP Water	-	-	-	-	-	411,980	142,541	203,890	197,393	81,897
Total business-type activities expenses	32,409,144	32,163,109	32,657,771	32,278,567	35,752,257	34,920,516	34,901,349	33,901,349	51,611,372	40,701,184
Total primary government expenses	89,559,532	98,629,647	100,342,062	104,526,463	112,819,997	111,326,554	103,443,182	97,622,712	114,917,384	101,765,632
Program revenues:										
Governmental activities:										
Charges for services:										
General government	5,644,238	6,559,998	6,393,161	5,826,011	5,290,837	5,112,805	8,562,031	8,654,843	9,181,388	10,286,376
Public safety	1,160,479	935,186	1,189,004	1,229,744	1,390,380	1,330,555	1,711,440	1,394,932	1,407,921	1,916,750
Culture and recreation	219,018	263,771	230,870	237,357	277,167	222,454	293,028	220,020	343,620	296,386
Highway and streets	1,201,865	1,491,579	1,623,290	1,891,618	1,286,006	1,159,894	909,511	1,123,342	1,169,364	1,716,965
Library	67,977	55,976	50,716	51,886	47,282	44,333	34,456	35,086	34,312	35,200
Operating grants and contributions	9,849,623	18,542,273	18,206,757	14,314,045	10,058,173	10,048,934	5,883,602	6,160,827	4,032,286	7,195,092
Capital grants and contributions	38,659,823	3,715,690	36,180,849	125,567,546	29,395,240	11,513,845	8,488,204	1,146,004	987,916	2,117,482
Total governmental activities program revenues	56,803,023	31,564,473	63,874,647	149,118,207	47,745,085	29,432,820	25,882,272	18,735,054	17,156,807	23,564,251
Business-type activities:										
Charges for services:										
Water	13,651,258	14,988,327	17,235,534	18,074,421	18,132,373	17,918,992	18,666,325	20,319,999	22,350,078	23,453,512
Disposal	11,619,754	9,056,597	9,060,415	9,297,234	9,631,846	8,893,718	10,013,969	10,079,232	10,669,471	11,623,769
Sewer	5,364,393	6,093,675	7,041,203	6,868,701	7,077,737	7,650,779	8,200,777	8,653,651	9,092,431	9,576,740
Aviation	86,507	154,907	210,434	230,835	254,398	292,300	210,115	11,721	18,592	16,704
Cemetery	455,865	561,620	557,454	401,733	308,923	419,284	360,923	311,420	341,950	371,968
Groves	950,970	713,935	720,621	600,363	439,670	551,266	432,136	778,378	471,150	740,707
NP Water	-	-	-	-	-	529,891	570,107	474,349	513,722	554,914
Operating grants and contributions	1,488,852	423,720	617,206	4,313,798	702,524	186,999	871,940	1,301	24,285	180,000
Capital grants and contributions	4,794,810	7,891,272	7,512,629	10,917,476	5,729,189	960,605	531,096	1,821,907	2,233,877	3,433,586
Total business-type activities program revenues	38,412,409	39,884,053	42,935,496	50,704,561	42,276,660	37,403,834	39,668,288	42,451,958	45,715,556	49,951,900
Total primary government program revenues	95,215,432	71,448,526	106,810,143	199,822,768	90,021,745	66,836,654	65,550,560	61,187,012	62,872,363	73,516,151

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net revenues (expenses):										
Governmental activities	(347,365)	(34,902,065)	(3,809,644)	76,870,311	(29,322,655)	(46,973,218)	(42,659,240)	(44,986,309)	(46,149,205)	(37,500,197)
Business-type activities	6,003,265	7,720,944	10,277,725	18,425,994	6,524,403	2,483,318	4,766,618	8,550,609	(5,895,816)	9,250,716
Total net revenues (expenses)	5,655,900	(27,181,121)	6,468,081	95,296,305	(22,798,252)	(44,489,900)	(37,892,622)	(36,435,700)	(52,045,021)	(28,249,481)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	15,346,936	23,914,760	27,036,122	29,165,961	30,626,167	29,907,393	30,098,303	26,741,406	23,536,133	24,650,592
Sales taxes	13,646,820	15,267,688	14,762,456	13,986,798	11,862,852	11,669,250	12,090,894	12,903,249	15,049,517	15,219,210
Franchise taxes	996,858	1,097,157	3,659,356	4,044,161	5,476,066	2,886,836	3,227,606	2,826,459	2,853,021	3,235,114
Other taxes	1,115,401	1,230,525	1,543,302	1,726,102	1,354,067	1,167,543	1,065,671	1,198,772	1,313,022	1,473,576
Use of money & property	1,356,544	2,180,119	2,421,829	2,763,654	2,384,773	746,194	647,310	665,553	58,972	517,169
Intergovernmental (unrestricted)	8,261,949	1,225,814	654,950	496,302	436,414	370,373	480,868	165,876	153,836	165,974
Other	-	-	-	-	-	-	642,842	273,246	2,496,060	689,160
Gain on sale of capital assets	-	-	-	-	-	-	-	-	151,116	-
Extraordinary gain/(loss) on dissolution of Redevelopment agency	-	-	-	-	-	-	-	21,444,268	-	-
Transfers	(729,010)	-	119,606	1,104,461	(50,568)	(54,449)	573,115	856,972	5,841,908	10,654,350
Total governmental activities	39,995,498	44,916,063	50,197,621	53,287,439	52,089,771	46,693,140	48,826,609	67,075,801	51,453,585	56,605,145
Business-type activities:										
Property taxes	-	-	52,655	51,398	45,221	38,082	68,098	37,808	41,673	34,597
Use of money & property	1,147,888	1,442,393	2,714,291	2,478,925	2,029,765	1,488,031	610,787	757,749	185,475	1,053,356
Other	-	-	-	-	-	-	922,642	914,887	3,686,367	1,032,469
Gain on sale of capital assets	-	-	-	-	-	-	516,500	34,949	9,736,268	28,334
Extraordinary gain	-	-	-	-	-	-	-	-	-	2,024,168
Transfers	729,010	-	(119,606)	(1,104,461)	50,568	54,449	(573,115)	(856,972)	(5,841,908)	(10,654,350)
Total business-type activities	1,876,898	1,442,393	2,647,340	1,425,862	2,125,554	1,580,562	1,544,912	888,421	7,807,875	(6,481,426)
Total primary government	41,872,396	46,358,456	52,844,961	54,713,301	54,215,325	48,273,702	50,371,521	67,964,222	59,261,460	50,123,719
Changes in net position										
Governmental activities	39,648,133	10,013,998	46,387,977	130,157,750	22,767,116	(280,078)	6,167,369	22,089,492	5,304,380	19,104,948
Business-type activities	7,880,163	9,163,337	12,925,065	19,851,856	8,649,957	4,063,880	6,311,530	9,439,030	1,912,059	2,769,290
Total primary government	\$ 47,528,296	\$ 19,177,335	\$ 59,313,042	\$ 150,009,606	\$ 31,417,073	\$ 3,783,802	\$ 12,478,899	\$ 31,528,522	\$ 7,216,439	\$ 21,874,238

NOTE:

The City of Redlands implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund:										
Reserved	\$ 8,559,857	\$ 8,886,457	\$ 8,893,298	\$ 10,169,670	\$ 10,972,417	\$ 11,947,625	\$ -	\$ -	\$ -	\$ -
Unreserved	7,058,101	2,922,503	4,354,426	4,958,881	7,889,723	5,802,815	-	-	-	-
Nonspendable	-	-	-	-	-	-	6,046,174	6,598,127	7,717,839	7,857,633
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	6,605,311	6,855,311	7,644,141	7,903,654
Unassigned	-	-	-	-	-	-	8,767,650	9,773,767	10,116,118	12,586,391
Total general fund	\$ 15,617,958	\$ 11,808,960	\$ 13,247,724	\$ 15,128,551	\$ 18,862,140	\$ 17,750,440	\$ 21,419,135	\$ 23,227,205	\$ 25,478,098	\$ 28,347,678
All other governmental funds:										
Reserved	\$ 11,500,492	\$ 2,033,335	\$ 6,977,364	\$ 4,274,778	\$ 10,888,944	\$ 10,779,313	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	9,791,298	16,410,790	17,708,775	23,528,904	19,904,622	15,648,593	-	-	-	-
Debt service fund	8,392,355	6,793,832	6,891,672	8,634,444	3,518,914	977,863	-	-	-	-
Capital projects fund	6,862,140	9,865,235	9,361,936	9,632,720	1,772,665	2,272,252	-	-	-	-
Nonspendable	-	-	-	-	-	-	548,166	361,351	384,997	384,873
Restricted	-	-	-	-	-	-	19,604,935	19,035,151	20,058,201	18,365,510
Committed	-	-	-	-	-	-	6,193,677	5,609,361	5,921,050	6,816,041
Unassigned	-	-	-	-	-	-	(1,399,875)	(7,711,358)	(8,801,461)	(8,787,268)
Total all other governmental funds	\$ 36,546,285	\$ 35,103,192	\$ 40,939,747	\$ 46,070,846	\$ 36,085,145	\$ 29,678,021	\$ 24,946,903	\$ 17,294,505	\$ 17,562,787	\$ 16,779,156

NOTE:
The City of Redlands implemented GASB 54 in 2011 which changes the reporting of fund balance.

CITY OF REDLANDS

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 31,241,724	\$ 41,642,820	\$ 47,142,875	\$ 49,074,516	\$ 49,319,152	\$ 45,816,050	\$ 46,974,366	\$ 43,669,886	\$ 42,751,693	\$ 44,578,492
Licenses and permits	9,412,476	14,071,545	14,785,863	14,405,549	7,422,024	5,216,551	4,760,789	5,628,860	6,090,892	8,668,245
Intergovernmental	11,082,073	11,497,035	15,650,446	9,741,769	6,261,983	5,219,602	7,030,818	5,947,380	4,455,718	6,305,374
Charges for services	1,552,689	1,578,029	2,214,772	2,808,774	4,946,435	6,433,198	7,043,801	6,934,677	6,711,043	7,186,570
Charges for services to other city funds	2,935,835	-	-	-	-	-	-	-	-	-
Use of money and property	2,004,338	3,144,775	3,586,384	5,336,312	2,559,089	1,497,930	647,310	626,072	52,596	491,377
Other	2,320,474	2,138,612	2,077,164	2,238,590	2,214,972	1,132,620	1,226,613	632,943	2,974,531	1,472,348
Total revenues	60,549,609	74,072,816	85,457,504	83,605,510	72,723,655	65,315,951	67,683,697	63,439,818	63,036,473	68,702,406
Expenditures										
Current:										
General government	10,308,122	11,478,185	13,758,100	19,638,037	19,663,593	14,533,699	11,506,994	9,788,982	10,080,042	10,562,420
Public safety	30,772,182	35,350,737	36,008,498	57,179,014	35,519,554	35,576,831	34,796,584	35,502,542	36,619,437	37,633,605
Highway and streets	6,600,623	5,076,512	5,434,175	4,826,627	4,844,425	4,131,236	4,651,164	4,250,686	4,122,692	5,913,207
Culture and recreation	2,594,046	3,344,777	3,311,493	3,821,206	3,534,250	2,940,479	2,701,864	2,121,891	2,400,303	2,631,892
Library	1,761,765	1,856,592	1,851,926	1,966,965	2,028,917	1,986,391	1,853,094	1,722,370	1,762,796	1,762,608
SERAF Obligation	-	-	-	-	-	2,389,188	491,892	-	-	-
Other pass-through payments	-	-	-	-	-	424,628	777,095	524,481	-	-
Capital outlay	3,196,389	16,004,189	13,561,057	8,384,995	5,817,816	3,650,267	5,403,411	3,176,270	7,470,985	13,431,527
Debt service:										
Principal	2,449,329	2,403,739	3,955,548	4,198,760	4,541,378	5,192,896	5,400,124	5,636,144	3,771,848	3,948,940
Interest and fiscal charges	3,178,312	3,722,579	2,898,827	4,065,938	4,337,676	3,834,596	3,783,017	2,717,604	1,672,907	1,489,466
Total expenditures	60,860,768	79,237,310	80,779,624	104,081,542	80,287,609	74,660,211	71,365,239	65,440,970	67,901,010	77,373,665
Excess (deficiency) of revenues over (under) expenditures	(311,159)	(5,164,494)	4,677,880	(20,476,032)	(7,563,954)	(9,344,260)	(3,681,542)	(2,001,152)	(4,864,537)	(8,671,259)

CITY OF REDLANDS

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses):										
Transfers in	8,407,181	9,655,411	11,985,951	18,608,919	21,658,490	14,225,197	14,749,386	13,566,661	18,682,589	20,792,923
Transfers out	(9,704,950)	(10,993,456)	(12,642,677)	(17,269,538)	(20,346,648)	(12,514,759)	(13,065,366)	(10,990,445)	(11,307,814)	(10,187,645)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	350	185,625
Extraordinary gain/(loss) on dissolution of Redevelopment agency	-	-	-	-	-	-	-	(5,453,452)	-	-
Restatements	-	-	-	-	-	-	-	(30,841)	8,587	(33,695)
Proceeds of capital lease	-	1,250,448	1,269,165	236,136	-	114,998	-	-	-	-
Issuance of long term debt	-	-	1,985,000	30,502,392	-	-	-	-	-	-
Discount on issuance of long term debt	-	-	-	(297,722)	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	(4,292,229)	-	-	-	-	-	-
Total other financing sources (uses)	(1,297,769)	(87,597)	2,597,439	27,487,958	1,311,842	1,825,436	1,684,020	(2,908,077)	7,383,712	10,757,208
Net change in fund balances	\$ (1,608,928)	\$ (5,252,091)	\$ 7,275,319	\$ 7,011,926	\$ (6,252,112)	\$ (7,518,824)	\$ (1,997,522)	\$ (4,909,229)	\$ 2,519,175	\$ 2,085,949
Debt service as a percentage of noncapital expenditures ¹	9.8%	9.7%	10.2%	8.6%	11.9%	12.7%	14.1%	13.5%	9.3%	9.5%

NOTE:

In 2011 there were a number of revenue reclassifications for which the City did not go back and adjust prior year totals to reflect the changes.

¹ Calculated by dividing the sum of principal and interest by noncapital expenditures which are total expenditures less a) capital outlay (to extent capitalized for the government-wide statements of net position; and b) expenditures for capitalized assets contained within the functional expenditure categories.

CITY OF REDLANDS
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	City				Redevelopment Agency				Total	
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Taxable Assessed Value	Total Direct Tax Rate
2005	\$ 4,072,008	\$ 137,651	\$ (79,611)	\$ 4,130,048	\$ 316,589	\$ 44,019	\$ (843)	\$ 359,765	\$ 4,489,813	0.30247
2006	4,854,140	160,644	(79,240)	4,935,544	348,224	47,055	(841)	394,438	5,329,982	0.28812
2007	5,745,855	164,409	(79,612)	5,830,652	390,031	49,336	(774)	438,593	6,269,245	0.27572
2008	6,535,813	204,391	(79,555)	6,660,649	428,699	56,938	(767)	484,870	7,145,519	0.27358
2009	6,935,648	231,948	(79,734)	7,087,862	456,545	58,275	(764)	514,056	7,601,918	0.27448
2010	6,518,846	232,468	(79,791)	6,671,523	705,249	81,977	(5,199)	782,027	7,453,550	0.27641
2011	6,348,706	200,425	(80,197)	6,468,934	704,031	99,220	(5,168)	798,083	7,267,017	0.28110
2012	6,214,264	189,324	(79,239)	6,324,349	702,581	98,928	(5,052)	796,457	7,120,806	0.28343
2013	7,127,034	301,158	(78,056)	7,350,136	-	-	-	-	7,350,136	0.28450
2014	7,311,929	313,408	(76,552)	7,548,785	-	-	-	-	7,548,785	0.22927

NOTE:

In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total minimum 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 re-assessed 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.

With the approval of ABX1 26, the State eliminated Redevelopment from the State of California for the Fiscal Year 2012/13 and years thereafter.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)
California Municipal Statistics, Inc.
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS
Assessed Value and Estimated Actual Value of Taxable Property by Major Type
Last Ten Fiscal Years
(in thousands of dollars)

Category	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential	\$ 3,298,525	\$ 3,717,496	\$ 4,232,501	\$ 4,724,469	\$ 4,866,787	\$ 4,511,071	\$ 4,344,036	\$ 4,375,904	\$ 4,603,792	\$ 4,781,493
Commercial	492,024	560,210	658,585	745,188	828,697	905,533	939,004	909,737	919,179	920,337
Industrial	232,590	257,161	325,169	495,797	682,669	732,243	751,264	649,237	641,987	675,107
Dry Farm	1,097	337	344	840	714	-	-	-	-	-
Government	8,320	4,284	4,370	4,457	1,380	471	470	2,499	488	498
Institutional	15,557	25,209	13,607	14,163	14,604	14,399	13,898	13,890	14,083	15,906
Irrigated	29,247	39,464	41,481	36,360	40,045	32,307	30,874	26,967	27,292	41,179
Miscellaneous	11,049	12,328	12,968	18,547	17,869	14,379	14,718	16,123	19,068	20,217
Recreational	27,379	27,870	27,527	28,932	30,591	31,864	32,472	32,453	34,762	31,852
Vacant Land	175,163	248,366	264,268	289,940	313,328	307,578	269,144	249,102	249,220	234,071
SBE Nonunitary	96,019	306,375	555,066	605,819	595,509	664,832	647,926	629,042	610,154	591,269
Unsecured	181,670	207,699	213,745	261,329	290,223	323,863	308,576	297,334	301,158	313,408
Unknown	1,627	3,264	-	-	-	-	-	2,809	7,009	-
Total Assessed Value	4,570,267	5,410,063	6,349,631	7,225,841	7,682,416	7,538,540	7,352,382	7,205,097	7,428,192	7,625,337
Less: Exemptions	(80,454)	(80,081)	(80,386)	(80,322)	(80,498)	(84,990)	(85,365)	(84,291)	(78,056)	(76,552)
Taxable Assessed Value	4,489,813	5,329,982	6,269,245	7,145,519	7,601,918	7,453,550	7,267,017	7,120,806	7,350,136	7,548,785
Total Direct Rate	0.30247	0.28812	0.27572	0.27358	0.27448	0.27641	0.28110	0.28343	0.28450	0.22928

NOTE:
In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total minimum 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 re-assessed 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: San Bernardino County Assessor (via HdL, Coren & Cone)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Share of Basic Levy ⁽¹⁾	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878
Overlapping Rates: ⁽²⁾										
County General Fund	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600
County Superintendent	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750
Inland Empire Joint Resource Conservation District	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050
Educational Revenue Augmentation Fund	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110
Flood Control Zone 3	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560
Flood Control Zone 8	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088
Redlands Unified	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160
San Bernardino Community College	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130
San Bernardino Valley Municipal Water	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630
San Bernardino Valley Water Conservation District	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Redlands Debt Service	0.01550	0.01350	0.01200	0.01030	0.00990	0.01060	0.01080	0.01110	0.01090	0.01050
Redlands Unified	0.04690	0.04490	0.03760	0.03220	0.05190	0.05410	0.06170	0.05820	0.06410	0.06290
San Bernardino Community College	0.01890	0.01660	0.01950	0.01270	0.03930	0.02800	0.04670	0.03730	0.04590	0.04190
San Bernardino Unified	0.09160	0.07880	0.07070	0.06610	0.06780	0.07470	0.08840	0.09780	0.09980	0.13500
San Bernardino Valley Municipal Water	<u>0.14000</u>	<u>0.16000</u>	<u>0.15500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16250</u>	<u>0.16250</u>
Total Voter Approved Rate	<u>0.31290</u>	<u>0.31380</u>	<u>0.29480</u>	<u>0.28630</u>	<u>0.33390</u>	<u>0.33240</u>	<u>0.37260</u>	<u>0.36940</u>	<u>0.38320</u>	<u>0.41280</u>
Total Direct and Overlapping Rate	<u>1.31290</u>	<u>1.31380</u>	<u>1.29480</u>	<u>1.28630</u>	<u>1.33390</u>	<u>1.33240</u>	<u>1.37260</u>	<u>1.36940</u>	<u>1.38320</u>	<u>1.41280</u>
City Share of 1% Levy Per Prop 13 ⁽³⁾	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878
Redlands Debt Service	0.01550	0.01350	0.01200	0.01030	0.00990	0.01060	0.01080	0.01110	0.01090	0.01050
RDA Incremental Rate ⁽⁴⁾	1.15550	1.17350	1.16700	1.17530	1.17490	1.17560	1.17580	1.17610	-	-
City Direct Rate ⁽⁵⁾	0.30247	0.28812	0.27572	0.27358	0.27448	0.27641	0.28110	0.28343	0.28450	0.22928

NOTES:

(1) 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 in which the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various voter approved items.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

(4) RDA rate is based on the largest TDA tax rate area (TRA) and includes only rates from indebtedness prior to 1989 per California State Statute. RDA direct and overlapping rates are applied only to the incremental property values. With the approval of ABX1 26, the State eliminated Redevelopment from the State of California for the Fiscal Year 2012/13 and years thereafter.

(5) Because basic and debt rates vary by tax rate area, individual rates cannot be summed. Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Principal Property Tax Payers
Current Year and Nine Years Ago
In \$1,000

Taxpayer	2014		2005	
	Total Net Taxable Assessed Value	Percentage of Total City Net Taxable Assessed Value	Total Net Taxable Assessed Value	Percentage of Total City Net Taxable Assessed Value
Southern California Edison	\$ 591,039	7.83%	\$ -	N/A
Parkview Terrace Associates, LLC	83,175	1.10%	-	N/A
NYS, LLC	69,907	0.93%	35,155	0.78%
NP Redlands, LLC	62,741	0.83%	-	N/A
Prologis-A4 California II LP	62,390	0.83%	-	N/A
AMB Institutional Alliance Fund III	57,000	0.76%	-	N/A
2301 W. San Bernardino Avenue Investment Group	44,000	0.58%	-	N/A
Redlands Business Center, LLC	45,776	0.61%	-	N/A
Environmental Systems Research Group	35,299	0.47%	-	N/A
PACGWL LLC	30,235	0.40%	-	N/A
Mountainview Power Company LLC.	-	N/A	90,300	2.01%
Evans Withycombe Residential Inc.	-	N/A	65,284	1.45%
USAA Real Estate Limited Partnership	-	N/A	36,650	0.82%
Chrisam Statutory Trust 2002	-	N/A	26,405	0.59%
Pattillo Industrial Partners, LLC	-	N/A	18,680	0.42%
Lowes HIW Inc	-	N/A	18,081	0.40%
Robert Pattillo Properties Inc.	-	N/A	18,050	0.40%
Citrus Grove JV	-	N/A	16,262	0.36%
Home Depot USA Inc	-	N/A	14,326	0.32%
Top Ten Total	\$ 1,081,562	14.34%	\$ 339,193	7.55%
City Total Net Taxable Assessed Value	7,548,785		4,489,813	

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Property Tax Levies and Collections¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy ²		Subsequent Years Collections of Prior Years	Total Collections to Date ²	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	\$ 18,648,647	\$ 18,153,068	97.34%	\$ 722,833	\$ 18,875,901	101.22%
2006	22,796,971	22,204,121	97.40%	1,392,399	23,596,520	103.51%
2007	26,404,200	25,513,769	96.63%	1,292,499	26,806,268	101.52%
2008	28,989,125	27,666,659	95.44%	1,487,446	29,154,105	100.57%
2009	29,041,866	27,732,874	95.49%	1,820,062	29,552,936	101.76%
2010	27,857,389	27,284,416	97.94%	1,625,142	28,909,558	103.78%
2011	29,341,082	27,744,927	94.56%	1,437,741	29,182,668	99.46%
2012	28,198,322	26,757,388	94.89%	722,821	27,480,209	97.45%
2013	29,365,178	28,237,555	96.16%	725,114	28,962,669	98.63%
2014	29,697,798	29,620,584	99.74%	834,306	30,454,890	102.55%

NOTE:

¹ The amounts presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. The State dissolved the redevelopment agency effective in 2012. This resulted in the City having to issue a refund of increment received that the County deemed as excess.

² Subsequent Years Collections of Prior Years may include delinquent tax payments from multiple prior years which are not identified separately by the County of San Bernardino. Any tax system changes required to identify and track this information would have to be developed in the County's tax system and subsequently included in reports provided to the City. At this time it is not known when or if the County will make such a change.

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

Fiscal Year Ended June 30	Governmental Activities						Business-type Activities						Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Loans / Capital Lease Obligations	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Solid Waste Revenue Bonds	Certificates of Participation	Loans / Capital Lease Obligations	Total Business-type Activities			
2005	\$ 4,510,000	\$ -	\$ 42,680,000	\$ 17,260,056	\$ 686,764	\$ 65,136,820	\$ 17,685,000	\$ 14,130,000	\$ -	\$ 1,705,000	\$ 111,199,198	\$ 44,719,198	\$ 109,856,018	6.15%	1,593
2006	4,075,000	-	41,105,000	17,206,718	1,543,472	63,930,190	16,415,000	13,315,000	-	880,000	12,508,935	43,118,935	107,049,125	5.70%	1,525
2007	3,625,000	-	39,375,000	15,843,380	4,332,091	63,175,471	15,090,000	12,460,000	-	-	12,069,804	39,619,804	102,795,275	5.17%	1,451
2008	3,170,000	25,907,621	37,930,000	14,435,042	3,964,467	85,407,130	13,700,000	11,565,000	-	-	11,496,989	36,761,989	122,169,119	5.94%	1,720
2009	2,695,000	25,626,705	36,080,000	13,007,038	3,458,089	80,866,832	12,250,000	10,635,000	-	-	11,256,422	34,141,422	115,008,254	5.53%	1,612
2010	2,195,000	24,773,830	34,185,000	11,544,034	3,095,191	75,793,055	10,730,000	9,660,000	-	-	10,598,668	30,988,668	106,781,723	5.24%	1,493
2011	1,680,000	23,789,186	32,210,000	10,021,030	2,884,385	70,584,601	9,145,000	8,645,000	-	-	9,922,740	27,712,740	98,297,341	4.47%	1,367
2012	1,145,000	22,667,969	-	8,448,026	2,548,241	34,809,236	7,485,000	7,580,000	-	-	10,347,274	25,412,274	60,221,510	2.78%	867
2013	585,000	21,400,395	-	6,800,022	2,266,391	31,051,808	3,579,945	4,959,409	-	-	14,909,475	23,448,829	54,500,637	2.42%	781
2014	-	19,966,684	-	5,077,018	2,077,451	27,121,153	2,402,890	4,001,754	15,132,303	-	17,496,799	39,033,746	66,154,899	2.92%	947

NOTE:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
As a result of the dissolution of the redevelopment agency in 2012, the outstanding \$30,150,000 indebtedness of the former redevelopment agency was transferred to the Successor Agency.

Source: City of Redlands

CITY OF REDLANDS

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt					Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Total		
2005	\$ 4,510	\$ -	\$ 42,680	\$ 17,260	\$ 64,450	1.41%	934
2006	4,075	-	41,105	17,207	62,387	1.15%	889
2007	3,625	-	39,375	15,843	58,843	0.93%	831
2008	3,170	25,908	37,930	14,435	81,443	1.13%	1,147
2009	2,695	25,627	36,080	13,007	77,409	1.01%	1,085
2010	2,195	24,774	34,185	11,544	72,698	0.96%	1,016
2011	1,680	23,789	32,210	10,021	67,700	0.92%	941
2012	1,145	22,668	-	8,448	32,261	0.45%	464
2013	585	21,400	-	6,800	28,785	0.39%	412
2014	-	19,967	-	5,077	25,044	0.33%	358

NOTE:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

As a result of the dissolution of the redevelopment agency in 2012, the outstanding \$30,150,000 indebtedness of the former redevelopment agency was transferred to the Successor Agency.

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

CITY OF REDLANDS
Direct and Overlapping Debt
June 30, 2014

Net Taxable 2013-2014 Assessed Valuation \$ 7,548,785,000

	Percentage Applicable ¹	Outstanding Debt 06/30/14	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
San Bernardino Community College District	14.250%	\$ 442,966,989	\$ 63,122,796
Redlands Unified School District	58.504%	99,044,784	57,945,160
San Bernardino City Unified School District	0.031%	194,823,488	60,395
City of Redlands Community Facilities District No. 2001-1	100.000%	6,400,000	6,400,000
City of Redlands Community Facilities District No. 2003-1	100.000%	8,985,000	8,985,000
Total Overlapping Tax and Assessment Debt		752,220,261	136,513,351
Overlapping General Fund Debt:			
San Bernardino County General Fund Obligations	4.481%	\$ 503,145,000	\$ 22,545,927
San Bernardino County Pension Obligations	4.481%	489,138,331	21,918,289
San Bernardino County Flood Control District General Fund Obligations	4.481%	101,040,000	4,527,602
Redlands Unified School District Certificates of Participation	58.504%	5,000,000	2,925,200
San Bernardino City Unified School District	0.031%	47,750,000	14,803
Yucaipa-Calimesa Joint Unified School District Authority	0.745%	12,610,000	93,945
Total Gross Overlapping General Fund Debt		1,158,683,331	52,025,766
Less: Redlands Unified School District Self-Supporting Qualified Zone Academy Bonds ²			(2,404,706)
Total Net Overlapping General Fund Debt			49,621,060
Total Gross Overlapping Debt			\$ 188,539,117
Total Net Overlapping Debt			\$ 186,134,411
Direct Tax and Assessment Debt:			
City of Redlands	100.000%	\$ -	\$ -
Direct General Fund Debt:			
City of Redlands General Fund Obligations	100.000%	\$ 5,077,018	\$ 5,077,018
City of Redlands Pension Obligations	100.000%	19,966,684	19,966,684
Total Direct General Fund Debt		25,043,702	25,043,702
Direct Loan/Capital Lease Debt:			
I-Bank Sports Park Lease	100.000%	\$ 1,671,571	\$ 1,671,571
Capital Leases -Equipment	100.000%	405,880	405,880
Total Direct General Fund Debt		2,077,451	2,077,451
Total Direct Debt			\$ 27,121,153
Total Gross Direct and Overlapping Debt ³			\$ 215,660,270
Total Net Direct and Overlapping Debt ³			\$ 213,255,564

¹ The overlapping district's assessed valuation located within the City is divided by the total assessed valuation of the overlapping district. That percentage is multiplied by the total debt outstanding for the overlapping district resulting in the City's share of debt.

² Academy Bond Annual Payment of \$288,366 is subtracted from balance originally \$5 million issued 2004

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds.

Sources: California Municipal Statistics, Inc.
San Bernardino County Assessor (via HdL, Coren & Cone)
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS
Legal Debt Margin Information
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuation	\$ 4,570,267,222	\$ 5,410,062,595	\$ 6,349,631,333	\$ 7,225,841,687	\$ 7,682,415,838	\$ 7,538,540,177	\$ 7,352,381,771	\$ 7,205,098,137	\$ 7,428,192,465	\$ 7,625,337,937
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,142,566,806	1,352,515,649	1,587,407,833	1,806,460,422	1,920,603,960	1,884,635,044	1,838,095,443	1,801,274,534	1,857,048,116	1,906,334,484
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	171,385,021	202,877,347	238,111,175	270,969,063	288,090,594	282,695,257	275,714,316	270,191,180	278,557,217	285,950,173
Total net debt applicable to limit: General obligation bonds	4,510,000	4,075,000	3,625,000	3,170,000	2,695,000	2,195,000	1,680,000	1,145,000	585,000	-
Legal debt margin	\$ 166,875,021	\$ 198,802,347	\$ 234,486,175	\$ 267,799,063	\$ 285,395,594	\$ 280,500,257	\$ 274,034,316	\$ 269,046,180	\$ 277,972,217	\$ 285,950,173
Total debt applicable to the limit as a percentage of debt limit	2.6%	2.0%	1.5%	1.2%	0.9%	0.8%	0.6%	0.4%	0.2%	0.0%

NOTE:

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: San Bernardino County Assessor (via HdL, Coren & Cone)
City of Redlands

CITY OF REDLANDS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds				Wastewater Revenue Bonds				Solid Waste Revenue Bonds				
	Water Revenue	Less Operating Expenses	Net Available Revenue	Coverage	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Coverage	Solid Waste Revenue	Less Operating Expenses	Net Available Revenue	Coverage	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$16,131,641	\$11,292,982	\$1,225,000	\$ 862,735	\$ 7,995,331	\$ 4,891,105	\$ 3,104,226	\$ 785,000	\$ -	\$ -	\$ -	\$ -	
2006	19,199,475	11,976,185	1,270,000	811,565	9,919,748	4,584,864	5,334,884	815,000	656,110	656,110	-	-	
2007	21,807,806	11,514,062	1,325,000	751,770	11,288,913	5,353,523	5,935,390	855,000	618,371	-	-	-	
2008	21,741,391	11,261,448	1,390,000	688,065	9,982,096	5,645,675	4,336,421	895,000	580,299	-	-	-	
2009	20,449,999	12,606,173	1,450,000	624,860	9,330,293	5,982,855	3,347,438	930,000	539,684	-	-	-	
2010	18,925,773	12,560,995	1,520,000	558,035	8,079,798	5,718,330	2,361,468	975,000	496,821	-	-	-	
2011	19,547,528	13,018,065	1,585,000	487,380	8,551,454	5,891,296	2,660,158	1,015,000	451,539	-	-	-	
2012	21,849,228	12,545,054	1,660,000	411,500	9,377,389	5,693,909	3,683,480	1,065,000	402,900	-	-	-	
2013	25,251,130	15,262,512	1,740,000	220,710	9,669,957	6,244,252	3,425,705	1,115,000	244,767	-	-	-	
2014	25,638,627	16,837,289	1,125,000	81,900	11,290,716	6,917,341	4,373,375	880,000	141,550	-	-	-	
										12,560,609	10,130,417	2,430,192	11.38

NOTE:
Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.
As a result of the dissolution of the redevelopment agency in 2012, the outstanding indebtedness of the former redevelopment agency was transferred to the Successor Agency.

Source: City of Redlands

CITY OF REDLANDS
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2004	68,977	\$ 1,784,967	\$ 25,878	4.2%
2005	70,199	1,878,417	26,758	3.8%
2006	70,848	1,988,501	28,067	3.4%
2007	71,021	2,055,127	28,937	4.0%
2008	71,339	2,078,671	29,138	5.8%
2009	71,532	2,039,266	28,508	9.6%
2010	71,926	2,198,418	30,565	10.5%
2011	69,498	2,167,990	31,195	9.7%
2012	69,813	2,248,258	32,204	7.0%
2013	69,882	2,265,714	32,422	6.0%

Sources: (1) State of California, Department of Finance - Demographic Research Unit
(2) U.S Department of Commerce U.S Census Bureau
(3) State of California, Employment Development Department

CITY OF REDLANDS
Principal Employers
Current Year and Nine Years Ago

Employer	2014		2005	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
ESRI	1,900	5.16%	1,607	4.87%
Redlands Unified School District	1,843	5.01%	1,550	4.70%
U.S. Postal Service	1,400	3.80%	1,200	3.64%
Redlands Community Hospital	1,250	3.40%	900	2.73%
Verizon	1,240	3.37%	-	0.00%
University of Redlands	547	1.49%	637	1.93%
Beaver Medical Group	538	1.46%	499	1.51%
City of Redlands	534	1.45%	573	1.74%
Wal-Mart Stores, Inc.	420	1.14%	353	1.07%
La-Z-Boy, Inc.	391	1.06%	412	1.25%
Southern CA. Gas Company/Sempra	249	0.68%	450	1.36%
Total of Top Employers	10,312		8,181	
Total Employees in City	36,800		33,000	

NOTE:

"Total Employment" as used above represents the total employment of all employers located within City limits.
For 2014, the June 2014 non-preliminary employment figure was used.
For 2005, the June 2005 non-preliminary employment figure was used

Sources:

Redlands Chamber of Commerce
State of California, Employment Development Department (total employment data)
Primary Employer Human Resources Department

CITY OF REDLANDS

City Employees
by Function

Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Full-time employees:										
City clerk's office	2	2	2	2	-	-	-	-	-	1
City manager's office	6	6	6	8	6	5	5	6	6	7
City treasurer's office	7	7	7	6	-	-	-	-	-	-
Development services	18	18	19	17	17	15	16	20	20	19
Finance	12	11	12	13	24	21	21	21	22	24
Fire	60	67	67	64	64	61	60	60	61	58
Human resources	5	5	5	6	4	4	5	5	5	7
Library	21	21	21	20	20	17	15	15	16	16
Management information systems	4	4	4	10	14	11	8	9	9	9
Municipal utilities and engineering:										
Administration	23	29	31	34	26	23	23	24	28	28
Water	38	39	40	41	45	48	47	47	49	49
Wastewater	24	24	24	24	24	24	23	24	24	24
Police	154	161	161	149	159	133	129	131	111	113
Quality of life										
Administration, parks & streets	56	52	53	48	47	37	39	42	46	48
Equipment maintenance	15	15	15	15	11	11	9	7	6	6
Solid waste	42	40	40	39	37	38	34	33	33	32
Cemetery	7	5	3	3	3	3	3	3	3	3
Redevelopment	-	5	5	9	10	5	4	-	-	-
	<u>494</u>	<u>511</u>	<u>515</u>	<u>508</u>	<u>511</u>	<u>456</u>	<u>441</u>	<u>447</u>	<u>439</u>	<u>444</u>
Part-time employees ¹	-	72	67	56	45	40	47	64	81	81
At-will employees	-	10	10	-	-	-	-	-	-	-
Grant-funded employees	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>3</u>	<u>11</u>	<u>7</u>	<u>12</u>	<u>12</u>	<u>10</u>
Total	<u>508</u>	<u>608</u>	<u>606</u>	<u>578</u>	<u>559</u>	<u>507</u>	<u>495</u>	<u>523</u>	<u>532</u>	<u>535</u>

¹ Data not available for all fiscal years.

Reorganizations in 2008 created new departments, moved divisions and transferred employees. Historical data has been changed to reflect some but not all of these reorganizations.

Source: City of Redlands Budget

CITY OF REDLANDS
Operating Indicators
by Function
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Calls for service ¹	63,560	59,182	56,821	61,184	58,702	54,725	52,611	51,248	52,349	54,529
Emergency calls for service ¹	11,178	11,970	16,546	2,643	2,730	3,091	2,333	1,167	592	504
Citations issued ¹	5,410	5,242	7,390	3,754	7,639	6,516	5,688	5,803	7,617	6,571
Fire:										
Number of incidents	7,040	7,625	8,038	7,885	8,113	8,239	8,470	8,323	8,946	8,980
Inspections performed ¹	2,576	2,737	3,610	2,296	3,145	2,794	2,247	2,994	2,208	2,234
Building and safety:										
Permits issued	2,997	2,838	2,967	2,446	1,453	1,721	1,647	1,536	1,600	2,150
Inspections performed	15,679	17,273	14,611	15,868	12,543	7,920	8,506	7,358	7,717	7,839
Parks and recreation:										
Community center attendance	35,160	62,048	69,861	85,216	68,093	37,973	22,398	18,000	21,084	19,100
Senior center attendance	42,496	43,374	43,633	41,258	34,899	43,706	29,008	20,668	24,897	27,891
Joslyn center attendance	49,808	39,328	40,830	38,960	43,989	37,477	26,707	13,016	19,934	16,932
Youth sports attendance	17,781	14,859	4,665	7,284	10,991	6,787	1,538	3,566	5,677	2,100
Adult sports attendance	20,418	19,797	17,427	30,509	10,259	10,260	4,735	7,780	6,534	20,340
Water:										
Number of services	20,500	21,047	21,450	21,547	21,667	21,534	22,487	23,075	23,845	21,732
Average daily consumption (thousands of gallons)	27,000	23,553	29,458	33,650	22,346	29,960	26,960	23,362	28,375	29,900
Solid waste:										
Recycled materials (tons)	37,123	38,083	40,851	34,317	37,334	28,329	25,194	24,183	25,756	26,570
Refuse disposed (tons)	59,745	61,607	58,402	57,480	54,171	78,832	81,428	71,441	65,887	72,228
Library:										
Number of volumes	138,446	141,310	140,644	141,241	142,050	142,945	144,229	143,622	143,436	142,989

¹ Data reported by calendar year until 2008. Data is by Fiscal Year effective 2009.

In FY 2007/2008 the Police department switched reporting to a fiscal year basis and began reporting emergency calls as priority 1 calls only.

Source: City of Redlands

CITY OF REDLANDS
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	2	2	2	2	2	2
Fire:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Public works:										
Streets (miles)	310	312	315	315	315	315	315	315	307	315
Traffic signals (city-owned)	61	64	68	68	68	68	68	68	68	68
Parks and recreation:										
Parks (acreage)	250	250	230	230	260	260	260	260	279	295
Groves (acreage)	175	196	192	204	204	204	195	195	159	159
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	387	407	416	421	404	386	386	386	386	390
Maximum daily production capacity (thousands of gallons)	59,000	50,000	50,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Non Potable Water *										
Water mains (miles)	-	-	-	-	28	28.46	29.06	26.96	29	30
Maximum daily production capacity (thousands of gallons)	-	-	-	-	4,500	4,500	4,500	4,500	4,500	4,500
Wastewater:										
Sewers (miles)	226	232	239	239	241	239	242	240	242	243
Daily capacity of wastewater plant (thousands of gallons)	9,500	9,500	5,500	5,500	9,500	9,500	9,500	9,500	9,500	9,500
Solid waste:										
Landfill (city-owned)	1	1	1	1	1	1	1	1	1	1
Library:										
Public library	1	1	1	1	1	1	1	1	1	1

* Beginning in 2008-2009 potable and non potable water data is reported separately.