

**SUCCESSOR AGENCY TO THE CITY OF  
HIGHLAND REDEVELOPMENT AGENCY**

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON DUE DILIGENCE  
REVIEW PROCEDURES**

**ALL OTHER FUNDS (EXCLUDING THE LOW  
AND MODERATE INCOME HOUSING FUND)**

SUCCESSOR AGENCY TO THE CITY OF HIGHLAND REDEVELOPMENT AGENCY  
**CONTENTS**

	<b>PAGE</b>
Independent Accountants' Report on Applying Agreed-Upon Procedures . . . . .	1
Exhibit 1 - Summary of Balances Available for Allocation to Affected Taxing Entities . . . . .	13
Exhibit 2 - Detail of Transfers From the Former Redevelopment Agency to the City of Highland . . . . .	14
Exhibit 3 - Detail of Transfers From the Former Redevelopment Agency to Other Public Agencies or Private Parties (January 1, 2011 Through January 31, 2012) . . . . .	15
Exhibit 4 - Detail of Transfers From the Successor Agency to Other Public Agencies or Private Parties (February 1, 2012 Through June 30, 2012) . . . . .	19
Exhibit 5 - Summary of Financial Transactions of the Former Redevelopment Agency and the Successor Agency . . . . .	20
Exhibit 6 - Detail of Assets of All Other Funds (Excluding the Low and Moderate Income Housing Fund) . . . . .	21
Exhibit 7 - Detail of Unspent Bond Proceeds and Other Assets Considered to be Legally Restricted . . . . .	22
Exhibit 8 - Detail of Assets That Are Not Liquid or Otherwise Available for Distribution . . . . .	23
Exhibit 9 - Enforceable Obligations Sourced from Unspent Bond Proceeds . . . . .	24
Exhibit 10 - Calculation of Current Unrestricted Balances that Need to be Retained . . . . .	27
Exhibit 11 - Detail of Cash Balances that are Needed to Satisfy ROPS Obligations for the Fiscal Year 2012-2013 . . . . .	28



*expect quality.*

**CERTIFIED  
PUBLIC  
ACCOUNTANTS  
& BUSINESS  
ADVISORS**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON DUE DILIGENCE REVIEW PROCEDURES**

Successor Agency to the City of Highland Redevelopment Agency  
Highland, California

We have performed the due diligence review procedures enumerated below, which were agreed to by the Successor Agency to the City of Highland Redevelopment Agency, the California State Controller's Office, and the Department of Finance, solely to assist you in determining the unobligated balances in all other funds of the Successor Agency (excluding the Low and Moderate Income Housing Fund) available for transfer to taxing entities pursuant to California Health and Safety Code Section 34179.5(c). Management of the Successor Agency is responsible for the accounting records pertaining to the unobligated balances. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

*We noted that assets in the amount of \$51,668,563 were transferred from all other funds of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to the Successor Agency as of February 1, 2012.*

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

*We noted eight transfers amounting to \$6,021,420 from all other funds of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to the City of Highland for the period January 1, 2011 through January 31, 2012. Refer to Exhibit 2.*

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

*Per the Successor Agency, there were no transfers from all other funds of the Successor Agency (excluding the Low and Moderate Income Housing Fund) to the City of Highland for the period February 1, 2012 through June 30, 2012.*

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

*Refer to Exhibit 2 for the legal document that formed the basis for the enforceable obligation that required the transfers.*

*We noted that two of the transfers amounting to \$1,702,868 relate to loans made by the City of Highland to the former redevelopment agency more than two years after the date of creation of the redevelopment agency, and thus were not permitted under Section 34171(G)(2) of the Health and Safety Code. The amounts were added back to the assets of the Successor Agency.*

*Four other transfers amounting to \$1,953,036 relate to loans made by the City of Highland to the former redevelopment agency. These loans were executed less than two years after of the formation of the former redevelopment agency. However, the repayment of these loans was included on the approved ROPS for period January 1, 2013 through June 30, 2013. The amounts were added back to the assets of the Successor Agency because they are being deducted as part of the ROPS.*

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

*We noted 22 transfers totaling \$5,679,678 from all other funds of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to other public agencies or private parties for the period January 1, 2011 through January 31, 2012. Refer to Exhibit 3.*

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

*We noted four transfers totaling \$2,207,776 from all other funds of the Successor Agency (excluding the Low and Moderate Income Housing Fund) to other public agencies or private parties for the period February 1, 2012 through June 30, 2012. Refer to Exhibit 4.*

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

*Refer to Exhibits 3 and 4 for the legal document that formed the basis for the enforceable obligation that required the transfers.*

4. Perform the following procedures:

- A. Obtain from the Successor Agency a summary of the financial transactions of the redevelopment agency and the Successor Agency in the format set forth in the schedule provided for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End-of-year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.

*Refer to Exhibit 5 for a summary of financial transactions of the former redevelopment agency for the years ended June 30, 2010 and 2011 and for the period July 1, 2011 through January 31, 2012, and for the Successor Agency for the period February 1, 2012 through June 30, 2012. All amounts include the Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency and the Successor Agency.*

- B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers account fully for the changes in equity from the previous fiscal period.

*No exceptions noted.*

- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the State Controller's report filed for the redevelopment agency for that period.

*No exceptions noted.*

- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

*We compared the amounts for fiscal year ended June 30, 2011 to the audited financial statements of the former redevelopment agency. The amounts for the seven months ended January 31, 2012 and five months ended June 30, 2012 were traced to account balances in the general ledger of the former redevelopment agency and the Successor Agency, respectively. No exceptions noted.*

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency (excluding the Low and Moderate Income Housing Fund) as of June 30, 2012 for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

*Refer to Exhibit 6 for a listing of the assets of all other funds of the Successor Agency (excluding the Low and Moderate Income Housing Fund) as of June 30, 2012.*

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
- A. Unspent bond proceeds:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
  - ii. Trace individual components of this computation to related account balances in the accounting records or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

*We noted unspent bond proceeds of \$31,448,093. Refer to Exhibit 7.*

B. Grant proceeds and program income that are restricted by third parties:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

*Per the Successor Agency, no grant proceeds or program income are restricted by third parties.*

C. Other assets considered to be legally restricted:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

*We noted cash of \$5,203,021 to be legally restricted. Refer to Exhibit 7.*

- D. Attach the above-mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

*Refer to Exhibit 7.*



7. Perform the following procedures:

- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

*We noted \$1,645,592 of assets listed at purchase cost that are not liquid or otherwise available for distribution. Refer to Exhibit 8.*

- B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

*We noted a difference of \$1,446,572 between the amount in 7(A) and the amount described as Land in the audited Statement of Net Assets of the former redevelopment agency as of June 30, 2011. We determined that the amount consisted of housing assets transferred to the Highland Housing Authority per Resolution 2012-005 on January 27, 2012. Refer to Exhibit 8. No exception noted.*

- C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

*This procedure is not applicable.*

- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

*This procedure is not applicable.*

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
- i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
  - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

*Per the Successor Agency, cash and investments consisting of unspent bond proceeds amounting to \$31,448,093 are restricted for the funding of certain enforceable obligations listed on the approved ROPS for period January 1, 2012 through June 30, 2012. Official bond documents for the Series 2004A Tax Allocation Bonds and the 2007 Tax Allocation Bonds specify the intended purpose of the bond proceeds. The bonds were issued primarily for the purpose of financing the costs of the redevelopment plan for the Highland Redevelopment Project Area No. 1. Refer to Exhibit 9 for a listing of enforceable obligations sourced from bond proceeds.*

*The total amount of the obligations listed on the ROPS exceeds the current restricted balances of \$31,448,093. The Successor Agency anticipates that other revenues, which have not yet been identified, will be used to fund the deficit. Therefore, no current unrestricted balances need to be retained.*

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six-month period from January 1, 2012 through June 30, 2012 and for the six-month period July 1, 2012 through December 31, 2012.
  - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
    - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
  - iii. For the forecasted annual revenues:
    - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

*The Successor Agency believes that projected revenues are not sufficient to fund enforceable obligations listed on the approved ROPS for the period January 1, 2012 through June 30, 2012 (ROPS 1), and thus retention of current balances is required.*

*Per the Successor Agency, scheduled bond service payments amounting to \$3,948,160 were included on the approved ROPS 1. The payments were scheduled for December 2012 and June 2013, therefore, they have not been paid as of June 30, 2012. These enforceable obligations were not listed on the approved ROPS for the periods July 1, 2012 through December 31, 2012 (ROPS 2) and January 1, 2013 through June 30, 2013 (ROPS 3). Amendments to ROPS 3 have been rejected by the Department of Finance. Additionally, the Department of Finance notified the Successor Agency that any amounts not expended on the approved ROPS 1 will be deducted from the funding for ROPS 3.*

*In light of the above, the Successor Agency believes that \$3,948,160 needs to be retained to satisfy enforceable obligations. Refer to Exhibit 10.*

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

*The Successor Agency believes that projected revenues to be received by the Successor Agency are not sufficient to pay bond debt service payments, and thus retention of current balances is required. Refer to explanation on Item 8(C) and to Exhibit 10.*

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
  - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
  - iii. Include the calculation in the AUP report.

*Refer to Exhibit 10.*

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the ROPS for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period of January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

*The Successor Agency believes that cash balances as of June 30, 2012 in the amount of \$2,118,896 need to be retained to satisfy obligations on the ROPS for the period January 1, 2013 through June 30, 2013. Refer to Exhibit 11.*

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

*Refer to Exhibit 1 for a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities from all other funds (excluding the Low and Moderate Income Housing Fund).*

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

*A representation letter was obtained from the Successor Agency.*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the computation of the unobligated balances in all other funds of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) available to transfer to taxing entities pursuant to California Health and Safety Code Section 34179.5(c). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Successor Agency, Oversight Board, County Auditor-Controller, and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Eadie and Payne, LLP*

October 23, 2012  
Redlands, California

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED  
TAXING ENTITIES**

Total amount of assets held by the Successor Agency as of June 30, 2012 - Exhibit 6	\$ 47,320,169
Add the amount of any assets transferred to the City or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist - Exhibit 2	3,655,904
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - Exhibit 7	36,651,114
Less assets that are not liquid or otherwise available for distribution - Exhibit 8	1,645,592
Less current unrestricted balances that need to be retained - Exhibit 10	3,948,160
Less balances needed to satisfy ROPS obligations for the 2012-2013 fiscal year - Exhibit 11	<u>2,118,896</u>
<b>Amount to be remitted to county for distribution to taxing entities</b>	<b><u>\$ 6,612,311</u></b>

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
DETAIL OF TRANSFERS FROM THE FORMER REDEVELOPMENT AGENCY  
TO THE CITY OF HIGHLAND  
FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012**

<u>Amount of Transfer</u>	<u>Effective Date of Transfer</u>	<u>Purpose of Transfer</u>	<u>Basis of Transfer</u>	<u>Footnote</u>
\$ 200,000	1/14/2011	Repayment of loan from the City	Promissory note executed within two years of the date of creation of the redevelopment agency (permitted by Section 34171(G)(2)).	(1)
150,000	1/14/2011	Repayment of loan from the City	Promissory note executed within two years of the date of creation of the redevelopment agency (permitted by Section 34171(G)(2)).	(1)
600,000	1/14/2011	Repayment of loan from the City	Promissory note executed more than two years of the date of creation of the redevelopment agency. Not permitted by Section 34171(G)(2). Added back to assets of the Successor Agency.	
1,300,000	1/14/2011	Repayment of loan from the City	Promissory note executed per Resolution No. RDA 97-5 approving acquisition of real property by the former redevelopment agency from the City of Highland.	
946,087	1/14/2011	Payment of accrued interest on loan from the City	Promissory note executed within two years of the date of creation of the redevelopment agency (permitted by Section 34171(G)(2)).	(1)
656,949	1/14/2011	Payment of accrued interest on loan from the City	Promissory note executed within two years of the date of creation of the redevelopment agency (permitted by Section 34171(G)(2)).	(1)
1,102,868	1/14/2011	Payment of accrued interest on loan from the City	Promissory note executed more than two years of the date of creation of the redevelopment agency. Not permitted by Section 34171(G)(2). Added back to assets of the Successor Agency.	
<u>1,065,516</u>	1/14/2011	Payment of accrued interest on loan from the City	Promissory note executed per Resolution No. RDA 97-5 approving acquisition of real property by the former redevelopment agency from the City of Highland.	
<u>\$ 6,021,420</u>	<b>Total Transfers</b>			
<u>\$ 3,655,904</u>	<b>Amount to be added back to total assets of the Successor Agency</b>			

Footnote:

(1) Included in the approved ROPS for January 1, 2013 through June 30, 2013 (Items # 17 and 18)



**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
 REDEVELOPMENT AGENCY  
 DETAIL OF TRANSFERS FROM THE FORMER REDEVELOPMENT AGENCY  
 TO OTHER PUBLIC AGENCIES OR PRIVATE PARTIES  
 FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012**

Amount of Transfer	Effective Date of Transfer	Purpose of Transfer	Basis of Transfer
\$ 384,872	4/30/2011	Debt service payment (interest) on 2004A Bonds to U.S. Bank	2004A Bond official statements
74,059	4/30/2011	Debt service payment (interest) on 2004B Bonds to U.S. Bank	2004B Bond official statements
946,513	4/30/2011	Debt service payment (interest) on 2007 Bonds to U.S. Bank	2007 Bond official statements
699,788	11/30/2011	Debt service payment (principal and interest) on 2004A Bonds to U.S. Bank	2004A Bond official statements
213,930	11/30/2011	Debt service payment(principal and interest) on 2004B Bonds to U.S. Bank	2004B Bond official statements
1,661,503	11/30/2011	Debt service payment (principal and interest) on 2007 Bonds to U.S. Bank	2007 Bond official statements
252,443	11/30/2011	Debt reserve payment on the 2007 Bonds to U.S. Bank to fulfill reserve requirement	2007 Bond official statements
1,300,000	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
101,570	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).

SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
**DETAIL OF TRANSFERS FROM THE FORMER REDEVELOPMENT AGENCY  
TO OTHER PUBLIC AGENCIES OR PRIVATES PARTIES (Continued)**  
FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012

Amount of Transfer	Effective Date of Transfer	Purpose of Transfer	Basis of Transfer
\$ 3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).

SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
**DETAIL OF TRANSFERS FROM THE FORMER REDEVELOPMENT AGENCY  
TO OTHER PUBLIC AGENCIES OR PRIVATES PARTIES (Continued)**  
FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012

Amount of Transfer	Effective Date of Transfer	Purpose of Transfer	Basis of Transfer
\$ 3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).

SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
**DETAIL OF TRANSFERS FROM THE FORMER REDEVELOPMENT AGENCY  
TO OTHER PUBLIC AGENCIES OR PRIVATES PARTIES (Continued)**  
FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012

Amount of Transfer	Effective Date of Transfer	Purpose of Transfer	Basis of Transfer
\$ 3,462	1/27/2012	Transfer of housing assets previously owned by the former redevelopment agency to the housing successor, City of Highland Housing Authority.	Approved City Resolution No. 2012-005 transferring all assets associated with the housing activities of the RDA to the City of Highland Housing Authority pursuant to Health and Safety Code Section 34176(b).
4,233,108		Transferred to U.S. Bank for debt service payments	
<u>1,446,576</u>		Transferred to the City of Highland Housing Authority	
<u>\$ 5,679,684</u>		<b>Total Transfers</b>	

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
 REDEVELOPMENT AGENCY  
 DETAIL OF TRANSFERS FROM THE SUCCESSOR AGENCY TO  
 OTHER PUBLIC AGENCIES OR PRIVATE PARTIES  
 FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012**

<u>Amount of Transfer</u>	<u>Effective Date of Transfer</u>	<u>Purpose of Transfer</u>	<u>Basis of Transfer</u>
\$ 828,395	4/10/2012	Pass-through payments	Payments of pass-through obligations pursuant to CRL 33401
378,966	6/1/2012	Debt service payment (interest) on 2004A Bonds to U.S. Bank	2004A Bond official statements
70,884	6/1/2012	Debt service payment (interest) on 2004B Bonds to U.S. Bank	2004B Bond official statements
<u>929,531</u>	6/1/2012	Debt service payment (interest) on 2007 Bonds to U.S. Bank	2007 Bond official statements
<u>\$ 2,207,776</u>	<b>Total Transfers</b>		

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
SUMMARY OF FINANCIAL TRANSACTIONS OF THE FORMER REDEVELOPMENT  
AGENCY AND THE SUCCESSOR AGENCY**

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets</b>				
Cash and Investments	\$ 71,229,553	\$ 53,513,759	\$ 51,105,491	\$ 46,642,737
Cash and Investments - Fiscal Agent	5,171,781	4,939,251	5,191,752	5,203,059
Accounts Receivable	99,152	8,276	-	-
Interest Receivable	52,703	31,524	4,416	12,262
Property Tax Receivable	168,528	104,591	-	-
Loans Receivable	695,728	695,728	-	-
Prepaid Items	-	100,000	100,000	100,000
<b>Total Assets</b>	<b><u>\$ 77,417,445</u></b>	<b><u>\$ 59,393,129</u></b>	<b><u>\$ 56,401,659</u></b>	<b><u>\$ 51,958,058</u></b>
<b>Liabilities</b>				
Accounts Payable	\$ 470,947	\$ 1,103,244	\$ 9,726	\$ 168,402
Accrued Liabilities	46,310	247,866	19,958	-
Deferred Revenue	786,604	695,728	-	-
Due to City of Highland	2,252,321	-	-	-
Pass Through Payables	1,404,295	1,303,600	828,395	-
<b>Total Liabilities</b>	<b><u>4,960,477</u></b>	<b><u>3,350,438</u></b>	<b><u>858,079</u></b>	<b><u>168,402</u></b>
<b>Equity</b>	<b><u>72,456,968</u></b>	<b><u>56,042,691</u></b>	<b><u>55,543,580</u></b>	<b><u>51,789,657</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 77,417,445</u></b>	<b><u>\$ 59,393,129</u></b>	<b><u>\$ 56,401,659</u></b>	<b><u>\$ 51,958,059</u></b>
<b>Total Revenues</b>	<b>\$ 9,972,408</b>	<b>\$ 8,741,785</b>	<b>\$ 4,988,459</b>	<b>\$ 55,138</b>
<b>Total Expenditures</b>	<b>16,177,447</b>	<b>25,384,993</b>	<b>5,487,570</b>	<b>3,809,061</b>
<b>Total Transfers</b>	<b><u>1,175,024</u></b>	<b><u>228,931</u></b>	<b><u>-</u></b>	<b><u>55,543,580</u></b>
<b>Net Change in Equity</b>	<b>(5,030,015)</b>	<b>(16,414,277)</b>	<b>(499,111)</b>	<b>51,789,657</b>
<b>Beginning Equity</b>	<b><u>77,486,983</u></b>	<b><u>72,456,968</u></b>	<b><u>56,042,691</u></b>	<b><u>-</u></b>
<b>Ending Equity</b>	<b><u>\$ 72,456,968</u></b>	<b><u>\$ 56,042,691</u></b>	<b><u>\$ 55,543,580</u></b>	<b><u>\$ 51,789,657</u></b>
<b>Other Information</b>				
Capital assets as of end of period	\$ 2,836,409	\$ 3,092,164	\$ 1,645,592	\$ 1,645,592
Long-term debt as of end of period	66,197,489	59,275,000	58,105,000	58,105,000

SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
**DETAIL OF ASSETS OF ALL OTHER FUNDS (EXCLUDING THE LOW AND  
MODERATE INCOME HOUSING FUND)**  
AS OF JUNE 30, 2012

<u>Asset Description</u>	<u>Amount</u>
Cash and investments	\$ 40,364,283
Cash held with fiscal agent	5,203,059
Accrued interest	7,235
Prepaid expenses	100,000
Land	<u>1,645,592</u>
<b>Total</b>	<b><u>\$ 47,320,169</u></b>

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
DETAIL OF UNSPENT BOND PROCEEDS AND OTHER ASSETS  
CONSIDERED TO BE LEGALLY RESTRICTED**

<u>Asset Description</u>	<u>Amount</u>	<u>Accounting Records or Supporting Documentation</u>	<u>Legal Document That Sets Forth Restrictions</u>	<u>Time Limit on Restrictions</u>
Unspent bond proceeds	\$ 31,448,093	General ledger detail and arbitrage schedule	Official Bond document for Series 2004A Tax Allocation Bonds (excludes Housing - 2004A Bonds) and 2007 Tax Allocation Bonds	The restriction is in effect until the related assets are expended for their intended purpose.
Cash with fiscal agents	<u>5,203,021</u>	General ledger detail, Union Bank statement at June 30, 2012, Treasurer's Report for June 2012, and correspondence with U.S. Bank account manager, confirming the necessary reserve fund amount	Official Bond document for Series 2004A Tax Allocation Bonds (excludes Housing - 2004A Bonds) and 2007 Tax Allocation Bonds	The restriction is in effect as long as the bonds are outstanding.
<b>Total</b>	<b><u>\$ 36,651,114</u></b>			



**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
 REDEVELOPMENT AGENCY  
 DETAIL OF ASSETS THAT ARE NOT LIQUID OR OTHERWISE  
 AVAILABLE FOR DISTRIBUTION  
 AS OF JUNE 30, 2012**

<u>Asset Description</u>	<u>Amount</u>	<u>Amount from June 30, 2011 Audited Financials</u>	<u>Difference</u>	<u>Reason for Difference</u>
Land				
Central Avenue 1192-571-48 Athletic Center/Community Center	\$ 202,500			
Central Avenue 1192-571-47 Community Park	202,500			
Base Line 1192-421-39 Future site of Fire Station No. 1 (Vacant lot)	255,755			
27169 Base Line 1192-421- 02 future site of Fire Station No. 1 (Old Post Office)	<u>984,837</u>	<u>-</u>	<u>-</u>	
<b>Totals</b>	<u>\$ 1,645,592</u>	<u>\$ 3,092,164</u>	<u>\$ (1,446,572)</u>	Total of assets transferred to the City of Highland Housing Authority (Refer to Exhibit 3)

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
ENFORCEABLE OBLIGATIONS SOURCED FROM UNSPENT  
BOND PROCEEDS**

Item #	Project Name/ Debt Obligation	Payee	Description	Total Obligation
4)	Professional Services Contract	Hilltop Geotechnical	Police Station Geological Testing	\$ 68,716
5)	Contract for construction mgmt	Edge Development	Police Station Construction Mgmt	86,463
6)	Contract for construction mgmt	Edge Development	Police Station Const Mgmt (reimbursables)	85,000
7)	Professional Services Contract	STK	Design of Police Station	887,000
15)	Professional Services Contract	NRA, Inc	Environmental-Greenspot Road	8,000
16)	Public Works Project	Young Shin	Median on Base Line (Dairy Queen)	24,000
17)	Professional Services Contract	Hilltop Geotechnical	Fire Station Geological Testing	15,200
21)	Professional Services Contract	STK	Design of Fire Station	522,648
1)	Contract for construction	Various PTCs listed below	Police Station	8,586,049
1)	Base Line, et al	ERSCI	str06003	48,640
2)	Base Line, et al	City of Highland	str06003-staff admin	3,500
3)	Greenspot Rd (SR 210 to Boulder)	PB Americas	str07004	673,394
4)	Greenspot Rd (SR 210 to Boulder)	CDPC	str07004	15,000
5)	Greenspot Rd (SR 210 to Boulder)	City of Highland	str07004-staff admin	1,500
6)	Greenspot Rd Realignment	RWG	str06001	13,622
7)	Greenspot Rd Realignment	Mamco	str06001	469,358
8)	Greenspot Rd Realignment	ERSCI	str06001	178,439
9)	Greenspot Rd Realignment	City of Highland	str06001-staff admin	15,000
10)	Sterling Ave Storm Drain-WC	Willdan	sdr10001	6,000
11)	Sterling Ave Storm Drain-WC	ERSCI	sdr10001	39,949
12)	Sterling Ave Storm Drain-WC	City of Highland	sdr10001-staff admin	3,000
13)	Bruce/Crest/Hillview/Cunningham	Willdan	str07009	5,100
14)	Bruce/Crest/Hillview/Cunningham	PB Americas	str07009	171,027

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
ENFORCEABLE OBLIGATIONS SOURCED FROM UNSPENT  
BOND PROCEEDS (Continued)**

Item #	Project Name/ Debt Obligation	Payee	Description	Total Obligation
15)	Bruce/Crest/Hillview/Cunningham	City of Highland	str07009-staff admin	\$ 2,400
16)	Base Line Safety Imp	ERSCI	str08002	2,000
17)	Base Line Safety Imp	Overland Pacific	str08002	38,700
18)	Base Line Safety Imp	Comm Works Design Gp	str08002	8,000
19)	Base Line Safety Imp	PB Americas	str08002	2,000
20)	Base Line Safety Imp	HKA	str08002	1,500
21)	Base Line Safety Imp	City of Highland	str08002-staff admin	6,000
22)	Base Line Beautification	PB Americas	str07003	133,671
23)	Base Line Beautification	Comm Works Design Gp	str07003	1,500
24)	Base Line Beautification	Willdan	str07003	2,000
25)	Base Line Beautification	City of Highland	str07003-staff admin	1,000
26)	East Highlands Village St Imp	PB Americas	str06002	113,826
27)	East Highlands Village St Imp	Willdan	str06002	3,000
28)	East Highlands Village St Imp	City of Highland	str06002-staff admin	3,000
29)	Base Line Pavement Rehab	ERSCI	ola09004	87,382
30)	Base Line Pavement Rehab	Willdan	ola09004	6,000
31)	Base Line Pavement Rehab	City of Highland	ola09004-staff admin	3,000
1)	2004A Bond Proceeds- construction contract	To be determined	Sterling Ave Storm Drain- WC	1,474,000
8)	2007 Bond Proceeds-construction contract	To be determined	Joint Pavement Rehab	150,000
9)	2007 Bond Proceeds-construction contract	To be determined	Boulder Avenue bridge	1,032,000
10)	2007 Bond Proceeds-construction contract	To be determined	Greenspot Road bridge	5,382,000
11)	2007 Bond Proceeds-construction contract	To be determined	Palm/Alabama bridge	1,000,000
12)	2007 Bond Proceeds-construction contract	To be determined	East Highlands Village St Imp	424,000
13)	2007 Bond Proceeds-construction contract	To be determined	Greenspot Road widening	9,703,000
14)	2007 Bond Proceeds-construction contract	To be determined	Palm Ave improvements	467,000
15)	2007 Bond Proceeds-construction contract	To be determined	Base Line/Summertrail improvements	384,000
16)	2007 Bond Proceeds-construction contract	To be determined	Victoria/14th St signal	175,000

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
 REDEVELOPMENT AGENCY  
 ENFORCEABLE OBLIGATIONS SOURCED FROM UNSPENT  
 BOND PROCEEDS (Continued)**

Item #	Project Name/ Debt Obligation	Payee	Description	Total Obligation
18)	2004A Bond Proceeds	City of Highland	City staff admin for 2004A projects	\$ 220,900
19)	2007 Bond Proceeds	City of Highland	City staff admin for 2007 projects	<u>1,130,850</u>
				<u>\$ 33,884,334</u>

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
CALCULATION OF CURRENT UNRESTRICTED BALANCES THAT NEED  
TO BE RETAINED**

Enforceable obligations listed on the approved ROPS for period January 1, 2012 through June 30, 2012 for which there is insufficient funding are as follows:

2007 Bond service payment for December 1, 2012 (principal and interest)	\$ 1,699,531
2007 Bond service payment for June 1, 2013 (interest)	913,169
2004A Bond service payment for December 1, 2012 (principal and interest)	673,966
2004A Bond service payment for June 1, 2013 (interest)	373,214
2004B Bond service payment for December 1, 2012 (principal and interest)	220,884
2004B Bond service payment for June 1, 2013 (interest)	<u>67,396</u>
	<u>\$ 3,948,160</u>

The amount of current unrestricted balances that need to be retained is calculated as follows:

Identified current dedicated or restricted balances	-
Amount of forecasted annual revenues	<u>-</u>
Amount of total resources available to fund enforceable obligations	-
Forecasted annual spending requirements	<u>\$ 3,948,160</u>
 Amount of current unrestricted balances that need to be retained	 <u>\$ 3,948,160</u>

**SUCCESSOR AGENCY TO THE CITY OF HIGHLAND  
REDEVELOPMENT AGENCY  
DETAIL OF CASH BALANCES THAT ARE NEEDED TO SATISFY ROPS  
OBLIGATIONS FOR THE FISCAL YEAR 2012-2013**

Item #	Project Name/Debt Obligation	Payee	Description	Total Obligation	Dollar Amount To Retain	Footnote
<u>Recognized Obligation Payment Schedule January 1, 2013 through June 30, 2013</u>						
5	Professional Services Contract	Urban Futures, Inc.	Monitoring Services	\$ 30,000	\$ 30,000	(1)
15	Professional Services Contract	Willdan	Arbitrage Rebate Services (2004A and 2007 Bonds)	4,500	4,500	(1)
17	Repayment of City loan to RDA	City of Highland	Finance projects in RDA Project Area No. 1	1,146,087	1,146,087	(1)
18	Repayment of City loan to RDA	City of Highland	Finance projects in RDA Project Area No. 1	806,949	806,949	(1)
20	Trustee Services	U. S. Bank	Admin Services for Trustee-2007 Bonds	2,120	2,120	(1)
21	Trustee Services	U. S. Bank	Admin Services for Trustee-2004A Bonds	2,120	2,120	(1)
22	Trustee Services	U. S. Bank	Admin Services for Trustee-2004B Bonds	2,120	2,120	(1)
23	Administration	City of Highland	Salary and benefits	<u>125,000</u>	<u>125,000</u>	(1)
<b>Totals</b>				<u>\$ 2,118,896</u>	<u>\$ 2,118,896</u>	

## Footnote:

- (1) Per the Successor Agency, no RPTTF Funds are expected to be distributed to the Successor Agency for the ROPS for period January 1, 2013 through June 30, 2013 because according to the Department of Finance, any amounts approved on the ROPS for period January 1, 2012 through June 30, 2012 not being expended during the six-month period will be deducted from the anticipated RPTTF funding for the ROPS for period January 1, 2013 through June 30, 2013. These balances need to be retained to enable the Successor Agency to pay enforceable obligations on ROPS for period January 1, 2013 through June 30, 2013. The obligations listed are included in the ROPS approved by the Oversight Board and the DOF.