



FINANCE/PERSONNEL SUBCOMMITTEE AGENDA

SUBCOMMITTEE MEMBERS

LARRY McCALLON, MEMBER
JOHN TIMMER, MEMBER

December 6, 2021
10:30 a.m.
Upright Conference Room
Highland City Hall
27215 Base Line
Highland, California

SPECIAL NOTICE REGARDING COVID-19

This meeting is being held in person. Please be advised, facial coverings or masks are required to be worn in the Upright Conference Room. If you do not have a facial covering or mask, one will be provided to you.

Submission of Public Comments: To limit the number of persons in the Upright Conference Room, the public is encouraged to make public comments by email rather than in person. For those wishing to make public comments by email, please submit your comments by email to be read aloud at the meeting. Email comments must be submitted by 9:30 a.m. on December 6, 2021, to publiccomment@cityofhighland.org. If you are submitting a public comment pertaining to an item on the December 6, 2021 agenda, please identify the agenda item number in the subject line. All email comments shall be subject to the same rules as would otherwise govern speaker comments at a Council meeting. Members of the public will be permitted to make public comments in person.

CITY OF HIGHLAND MISSION STATEMENT

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

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

City of Highland, 27215 Base Line, Highland, CA 92346 (909) 864-6861 FAX (909) 862-3180

THE CITY OF HIGHLAND COMPLIES WITH THE AMERICANS WITH DISABILITIES ACT OF 1990. IF YOU REQUIRE SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CALL THE CITY CLERK'S OFFICE AT (909) 864-8732, EXT. 226 AT LEAST 48 HOURS PRIOR TO THE MEETING.

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

Larry McCallon, Member

John Timmer, Member

FINANCE/PERSONNEL SUBCOMMITTEE

December 6, 2021 – 10:30 a.m.

CALL TO ORDER

PUBLIC COMMENT

ITEMS

1. Review Minutes of October 26, 2021 Meeting

RECOMMENDATION: Approve the Minutes as submitted.

2. Audit 2021/2022 – Annual Comprehensive Financial Report (ACFR), Single Audit Report, SAS 114 Letter, Management Letter, Independent Auditor's Report on Internal Control, Appropriations Limit Report

RECOMMENDATION: Staff recommends the Subcommittee review and approve the item to bring forward to the City Council for consideration. All reports are for Fiscal Year ended June 30, 2021.

3. Annual AB1600 Development Impact Fees Report 2021/2022

RECOMMENDATION: Staff recommends the Subcommittee review and approve the item to bring forward to the City Council for consideration.

4. Annual Developer In-Lieu Fees Report 2021/2022

RECOMMENDATION: Staff recommends the Subcommittee review and approve the item to bring forward to the City Council for consideration.

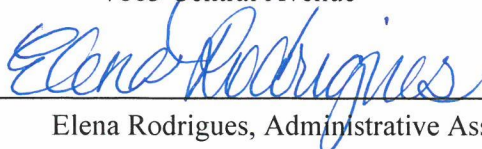
ADJOURN

I, Elena Rodrigues, Administrative Assistant III, of the City of Highland, California, certify that I caused to be posted this Agenda on the 1st day of December 2021, by 5:30 p.m. on our website at www.cityofhighland.org and in the following designated areas:

City Hall
27215 Base Line

Highland Branch Library
7863 Central Avenue

Highland Fire Station No. 1
26974 Base Line



Elena Rodrigues, Administrative Assistant III

Agenda Item #1

MINUTES
FINANCE/PERSONNEL SUBCOMMITTEE
October 26, 2021

CALL TO ORDER

The regular meeting of the Finance/Personnel Subcommittee of the City of Highland was called to order at 5:45 p.m. in the Donahue Council Chambers, 27215 Base Line, Highland, California.

ROLL CALL

Present: McCallon, Timmer
Absent: None

PUBLIC COMMENT

Received no public comment.

ITEMS

1. Review Minutes of September 14, 2021 Meeting
Approved the Minutes as submitted.

2. Gap Analysis Quote – City of Highland Network
The Finance/Personnel Subcommittee reviewed and approved the Gap Analysis Quote submitted by eSecurity Solutions. ARPA funds will be utilized for the network security assessment.

ADJOURN

There being no further business the meeting was adjourned at 5:50 p.m.

Submitted by:

Approved by:



Elena Rodrigues, Administrative Assistant III

Subcommittee Member

Agenda Item #2

City of Highland California



Annual Comprehensive Financial Report For Fiscal Year Ended June 30, 2021

DRAFT 11/30/21
FOR DISCUSSION PURPOSES ONLY

CITY OF HIGHLAND
Highland, California

Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2021



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Prepared by the Finance Department:

Chuck Dantuono
Director of Administrative Services/City Treasurer

Leticia "Tish" Nava-Cruz
Accounting Supervisor

Michelle Gomez
Accountant

DRAFT 11/30/21
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City of Highland
Annual Comprehensive Financial Report
Year Ended June 30, 2021

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City of Highland
Annual Comprehensive Financial Report
Year Ended June 30, 2021

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INTRODUCTORY SECTION

DRAFT 11/30/21
FOR DISCUSSION PURPOSES ONLY



December 14, 2021

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2021.

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

Van Lant & Fankhanel LLP, a firm of certified public accountants, have issued an unmodified ("clean") opinion on the City of Highland's financial statements for the year ended June 30, 2021. The independent auditor's report is in the front of the financial section of this report.

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

Profile of the Government

The City of Highland was incorporated on November 24, 1987, and is located at the foothills of the San Bernardino Mountains in the heart of the Inland Empire. San Bernardino County along with Riverside County makes up the Inland Empire, one of the largest regions in the United States. Highland has a current population of 55,060 people and is approximately 18 square miles. The City of Highland is empowered by statute to extend its corporate limits by annexation, which it has done from time to time. In October 2000, Highland completed annexation of 3,200 acres in the City's southeast area.

With this annexation, Highland increased its boundaries by approximately 33%. Included in this area is Mediterra. Mediterra Planned Development was approved by the City Council in 2016. Mediterra is a residential community comprised of 178 acres located along easterly stretch of Greenspot Road, north and west of the Santa Ana River, and south of the San Bernardino National Forest. The project allows establishment of a

Mayor	Mayor Pro Tem	City Council	City Council	City Council	City Manager
Penny Lilburn	Larry McCallon	Jesse Chavez	Anaeli Solano	John P. Timmer	Joseph A. Hughes

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planned development consisting of a low-density residential development of two hundred residential lots, a medium density development of 110 residential units, six (6) estate lots, and several lettered lots containing two (2) parks, landscaping, and a water quality management basin within 8 Planning Areas on approximately 178 gross acres.

The City operates under the council-manager form of government. The City Council consists of five members. The mayor and mayor pro tem are selected annually. As the legislative body for the City, the Council is responsible for adopting ordinances and resolutions, adopting the budget, setting fees, appointing committees, hiring the City Manager, providing policy direction to staff as well as various other duties. The City Manager is responsible for conducting the policies and direction of the Council along with overseeing the daily operations of the City. In November 2016, Highland went to districts. All five district seats were up in the November 8, 2016, election. Districts 2 and 4 had elections in November 2018 and Districts 1, 3 and 5 were up again in November 2020. Next up are districts 2 & 4 in November 2022.

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

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

The biennial budget serves as the foundation for the City's financial planning and control. As part of each budget year, goals and objectives of the City Council are incorporated into departmental goals and objectives for staff. This process is referred to as the Work Program. The main purpose of the Work Program is to identify goals, programs, and projects to be completed. The Work Program is then used when preparing the budget so these projects can be funded. Some of the major programs needed to meet citizen's needs during this upcoming two-year Work Program (2021-2022) period are: Review city council districts after 2020 Census; Purchase of a Type III wildland fire engine; Purchase of industrial generators for all fire stations; Upgrade video surveillance system at police station; Complete construction of 3rd Street/5th Street corridor; Complete construction of Base Line Bridge over City Creek; Complete construction of Base Line interchange improvements; Development code updates; Community Development Block Grant funding for COVID-19 (CDBG-CV) programs; and Airport gateway specific plan.

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

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

The budget is prepared on the modified accrual basis of accounting. This means that revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred. The General Fund, special revenue funds, capital projects funds, internal service funds, Housing Authority Funds and Successor Agency Funds are all subject to appropriations.

Local Economy

Over the last several years, Highland has continued to see General Fund revenue sources increase. Property taxes (not including the additional amounts from the former RDA) increased as did the vehicle license fees-property tax line item. These are the two largest revenues in the general fund. Other revenues such as charges for services, extraction tax, transient occupancy tax, and franchise fees increased as well. Sales & use tax continued to increase as it has over the last several years. With expenditures increasing at a higher rate than revenues over the last few years, it was the efficient and careful watch of these expenditures that made it possible for the General Fund to be

balanced in FY 2019/2020. The effects of COVID-19 on the city's finances are discussed below under *Relevant Financial Policies*.

In adopting the 2021-2023 biennial budget, the City, as in prior years, had to take into consideration that contracts with the San Bernardino County Sheriff's Department and Cal-Fire, were continuing to increase. For fiscal year 2021/2022, the Sheriff Department contract increased by 3.52% and the Cal-Fire contract increased by 8.22%. The Cal-Fire increase of 8.22% includes the addition of a full-time Battalion Chief position that was partially (50%) added in FY 2020/2021. As a result of these increase, budgeted property taxes in both the General Fund and Fire Department Fund (which are combined in this financial report but budgeted separately) for 2021/2022 and 2022/2023, were budgeted at a higher amount than was received in 2020/2021. Increases were also given to revenues line items sales tax and property tax-VLF to help offset these increases.

Highland has been able to maintain a balanced General Fund budget without layoffs, pay reductions, furloughs, or a reduction in services. Highland is mainly a residential community and as a result, the City's highest revenue source remains to be property taxes. However, the increase in sales tax over the last four years has been a welcome surprise. The City has a light industrial and manufacturing area in town with many small retail shops and three large plazas. These plazas supply the City with jobs and sales tax revenues. This light manufacturing and industrial base add to a stable unemployment rate in Highland. The effects of COVID-19 on Highland's finances are discussed later in this transmittal letter.

For the future, there are several projects that continue to hold economic development potential for the community. Primarily, a commercial development located on Greenspot Road, east of SR-210, referred to as the "Golden Triangle." Several years ago, Lowe's, Staples, In-N-Out and Chevron opened in this area on the south side of Greenspot Road. Opening recently on the south side of Greenspot Road was Wing Stop, T-Mobile, Jersey Mike's, and a Trendsetter Salon & Day Spa. The City continues to work with the landowner and developers for the north side of Greenspot Road. Meanwhile, the City has spent \$13M on improving Greenspot Road to help contribute to future economic growth in this area. On the horizon in this area is a 7-Eleven on the southwest corner of Greenspot Road & Boulder Avenue. Also opening recently is Mountain Mike's Pizza, a new dine-in restaurant offering a family-friendly menu located in the "Highland Crossroads" which is east of the Lowe's Home Improvement store on the south side of Greenspot Road.

Regarding the residential side of this development, on September 22, 2020, the Highland City Council approved a 200-unit townhome style apartment project at the northwest corner of Greenspot Road and Webster Street. The project consists of 40 residential buildings, a community recreation room, pool, barbeque area, tot lot and open space. The units are between 915 and 1,430 square feet and offer garage parking. The units will be rented at market rate. The project comprises twenty acres of the 105-acre project known as the master-planned, mixed-use project "Greenspot Village & Marketplace."

Recently opening in the Town Center on Base Line west of SR-210 was Smart N Final Extra. CVS Pharmacy, Baker's and Family Dollar have also already opened in this area. Coming soon in this area will be The Habit Burger Grill, El Pollo Loco & Tractor Supply. Opening three years ago on Base Line just off SR-210 was Jack in the Box and Panda Express. Round Table Clubhouse & Mi Cocina on Highland Avenue near SR-330 gives residents additional sit-down restaurants in the city as does the newly opened Bear Springs Bistro & Lounge in the newly renovated Bear Springs Hotel (formerly Hampton Inn).

Long-term Financial Planning

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

Today, Highland continues to be a fiscally healthy city. In fact, in a recent study completed by the California State Auditor, Highland ranked 295 out of 423 cities in terms of high risk-the higher number a city is ranked, the lower risk it has. This means there are only 128 cities in the State that were ranked at a lower risk than Highland. Highland was given the lowest risk ranking possible "low overall risk." This was accomplished by being extremely conservative in expenditures over the last thirty years. While many cities rely on sales tax as a primary revenue source, Highland has relied on the vehicle license fees and property tax as the major revenue sources. Highland's sales tax earning potential was reduced in 1987 when the City of San Bernardino annexed Highland's potential sales tax areas prior to Highland's incorporation.

As part of the long-term financial planning process, Highland continues to work on developing marketing plans on Base Line, Greenspot Road and Fifth Street, the major thoroughfares through the city. With State Route 210 (SR-210) running through the center of the City and having Base Line, Greenspot Road and Fifth Street intersecting SR-210, the development of these corridors is vital to the increase of a sales tax base in Highland.

In fact, the San Bernardino County Transportation Authority (SBCTA), in cooperation with the California Department of Transportation (DOT), will be widening SR-210 from Sterling Avenue to San Bernardino Avenue in the cities of San Bernardino, Highland and Redlands, as well as an unincorporated portion of San Bernardino County. The project proposes to widen this segment of SR-210 with one mixed flow lane in each direction. This third lane would be added within the existing SR-210 median. This project also includes pavement rehabilitation that will replace concrete slabs between Highland Avenue and 5th Street and new concrete pavement between 5th Street and Lugonia Avenue. Construction is underway and is expected to be completed in the summer of 2023. The total estimated cost of construction is \$167 million.

In addition to the 210 widening and pavement rehabilitation, the City is partnering with San Bernardino County Transportation Authority, and California Department of Transportation to improve the Base Line Interchange. Specifically, the project is widening Base Line from Buckeye Street to Seine Avenue, widening three of the four existing SR-210 interchange ramps, providing overpass aesthetics, and replacing landscape. Much of the work is occurring within the existing Caltrans and City of Highland public right of way and temporary construction easements; however, right of way was needed along Base Line to accommodate the roadway widening. The purpose of the proposed project is to reduce congestion and improve operational efficiency throughout the Base Line corridor at the SR-210 interchange. The estimated cost is \$35 million. The Base Line Interchange work began July 27, 2020. It is estimated to be completed in March 2022.

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

As demonstrated by the statements and schedules included in this report, the City continues to meet its responsibility for sound financial management. Since the City incorporated, a commitment was made to a pay-as-you-go philosophy. The City's General Fund has no bonded debt and Highland's other funds can use reserves (cash saved over several years) to pay for many of the capital projects rather than placing a debt on future generations. The City has also obtained grants at the state and federal levels for the capital projects as well, therefore enabling local tax dollars to go further. The City has also been highly successful at working with our neighboring agencies (County of San Bernardino, City of San Bernardino, City of Redlands, Inland Valley Development Agency, East Valley Water District, San Bernardino County Transportation Agency & San Manuel Band of Mission Indians) on projects that benefit all these agencies listed above which in turn benefit the citizens of Highland.

Relevant Financial Policies

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

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

For fiscal years 2004/2005 & 2005/2006, the State enacted ERAF III, which essentially doubled Highland's current amount paid to the ERAF fund. For these two fiscal years,

the State took an additional \$302,000 each year and placed it in the ERAF fund. These amounts will not be paid back, but Proposition 1A ensured that if funds are ever taken again, they must be repaid. However, as stated earlier, the \$301,433 taken as part of the original ERAF will still be taken annually by the State and never paid back.

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

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

For fiscal years 2011/2012 and beyond, the State passed AB 1X 26 which eliminated redevelopment agencies. However, the State then passed AB 1X 27 which included the payment of a ransom if a community wanted to keep its redevelopment agency. Basically, the State would eliminate a redevelopment agency and take all its assets (land, cash, etc.) if the City did not elect to pay this ransom. These bills included language that the ransom would have to be paid by the City and reimbursed by the agency. This was yet another attempt by the State to steal money from local governments to balance their budgets. Highland's share of this extortion was estimated to be \$2,731,486 in 2011/2012 and an annual payment thereafter of approximately \$655,000. The CRA once again sued the State and the State Supreme Court held in favor of the State for AB 1X 26, but not on AB 1X 27. This meant that over four hundred redevelopment agencies throughout the State would be dissolved and have been. Taken from Highland was the best economic tool to help jobs and businesses grow in our community. The funds taken from Highland would be used to offset the State's responsibilities to the local taxing agencies, including schools. The State's taking of local funds as a temporary bandage to solve their annual budget problems was not a long-term solution and will continue to have long lasting effects on local governments. Today, the State has a surplus of \$75 billion.

Since the dissolution of the former RDA, Highland has rebounded. The City worked diligently with the Department of Finance (DOF) in getting repaid \$1.9M in outstanding loans. The repayment of these loans was approved; however, they will be repaid over several years. The two loans of \$1.3M and \$600,000 were loaned to the RDA in 1997 and 1998, in good faith. It was the full intention of the City for these loans to be repaid someday. In January of 2016, the DOF approved the transfer of the balance of the remaining RDA bonds from the Successor Agency to the City and Housing Authority. The bonds for capital projects were transferred to the City and the housing related bonds were transferred to the Housing Authority. However, the debt for these bond issues remains with the Successor Agency. In July 2018, the Successor Agency was notified by the DOF that the Last & Final ROPS was approved. The Last & Final ROPS is a payment schedule

that runs through FY 2037/2038 that has all the expenditures for the Successor Agency. Included in this schedule are administration, debt service payments and re-payment of the City loans.

In December 2022, the last payment due to the City on the \$600,000 loan will be received and this loan will be paid in full. The last loan amount of \$1,300,000 will be fully repaid in FY 2026/2027.

Four years ago, the State passed SB 1, The Road Repair and Accountability Act of 2017, which increased Gas Tax revenues. For fiscal year 2020/2021, this brought in an additional \$1M in revenues. It is estimated that this new tax will generate an additional \$1M in 2021/2022. These funds must be used for local street maintenance and rehabilitation needs.

Financial Impacts of COVID-19

The effects of COVID-19 on Highland are difficult to measure primarily because we are not done with this pandemic. Through grants from the federal government (CARES Act & Department of Justice), Highland has been able to purchase PPE (Personal Protective Equipment) for staff and purchase laptop computers and necessary software to meet virtually with citizens and consultants. We have also been able to aid local businesses who have been adversely affected. Highland was able to offer 200-\$2,500 grants to small businesses through funds received via the CARES Act.

In addition to the CARES Act, on March 11, 2021, The American Rescue Plan Act was signed into law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). This program is intended to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and to contain impacts on communities, residents, and businesses.

The SLFRF funding through ARPA provides a total of \$350B for economic relief. Highland's portion of this is two installments of \$7,447,553.50. We have already received the first installment and approval from the City Council on how to spend these funds. They are as follows: Prevention/Mitigation in Congregate Settings (Ventilation), PPE, Communications/Enforcement (Legal Services), Payroll Cost for Safety Staff Responding to Public Health Emergency (Public Safety), Household Mortgage Assistance, Small Business Economic Assistance & Provisions of Government Services (Cybersecurity). Staff will be presenting the funding options for the second installment in the Spring of 2022. We expect to receive the second installment in June 2022.

It is still too soon to weigh the total effects of COVID-19 on Highland's finances. Property tax (general fund & fire department fund), property tax-vlf, gas tax and interest income revenues in all funds were all down in FY 2020/2021 compared to the budgeted amounts.

However, due to meticulous efforts on the expenditure side and receiving grant funding, we were able to have positive net income in the general fund.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Distinguished Budget Presentation Award to the City for the fiscal years of 2019-2021. This budget award is the highest form of recognition a City can receive in governmental budgeting. The City has received this award from GFOA every year since 1989-1990. Also, the City received the California Society of Municipal Finance Officers (CSMFO) award for Excellence in Operational Budgeting for fiscal years 2019-2021. The City has received this award from CSMFO every year since first applying for it in 1991-1992. The City has applied for these same awards for the 2021-2023 biennial budget.

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

The GFOA also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for the fiscal year ended June 30, 2020, for its annual financial report. This award is the highest form of recognition for excellence in state and local government financial reporting. This was the thirty-first consecutive year that the City has received such recognition. Many years ago, the CSMFO ruled that if an organization applies for the GFOA (national) award, it would not be eligible for the CSMFO (state) award. Therefore, last year, the City did not apply for the CSMFO Outstanding Financial Reporting award for June 30, 2020. The City had received this award every year since first applying for it in FY 1990/1991. The City can only apply for the GFOA Certificate of Achievement award.

To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This achievement is valid for a period of one year only. I believe the current report continues to conform to the Certificate of Achievement program requirements and I am submitting it to the GFOA.

I would like to thank Finance/Personnel Subcommittee members Mayor Pro Tem Larry McCallon and Councilmember John Timmer for their direction in the preparation of this report. I would also like to thank the entire City Council for fulfilling their continued responsibility as stewards of Highland's finances. Highland's fiscal health would not be where it is without this.

In addition, I would like to thank Accounting Supervisor, Leticia "Tish" Nava-Cruz and Accountant, Michelle Gomez for their help in preparing this report and for their hard work during the audit. Each year, their contributions to preparing this report and conducting the audit significantly increase. They continue to show an incredible work ethic and their

diligence, and teamwork continues to be very much appreciated. In conclusion, I would like to thank City Manager, Joe Hughes. Joe has always demonstrated high standards of financial management, integrity, and leadership, which has always been and remains critical to Highland's fiscal health.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Chuck Dantuono', with a stylized flourish at the end.

Chuck Dantuono
Director of Administrative
Services/City Treasurer

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CITY OF HIGHLAND
Annual Comprehensive Financial Report

Listing of Officials

June 30, 2021

Elected Officials

Mayor	Penny Lilburn
Mayor Pro Tem	Larry McCallon
Council member	Jesse Chavez
Council member	Anaeli Solano
Council member	John Timmer

Finance/Personnel Subcommittee

Committee member	Larry McCallon
Committee member	John Timmer

Management

City Manager	Joseph Hughes
Assistant Public Works Director	Matt Bennett
Director of Administrative Services/City Treasurer	Chuck Dantuono
City Clerk	Betty Hughes
Administrative Services Manager	Shawn Kasner
Community Development Director	Larry Mainez
Public Services Manager	Melissa Morgan
Public Works Manager	Jim Richardson
Assistant Community Development Director	Kim Stater
Building Official	Matt Wirz
Public Works Director/City Engineer	Carlos Zamano

Police Chief (Captain)	Casey Jiles
Lieutenant	Matt Yost

Fire Chief (Battalion Chief)	Sean Landavazo
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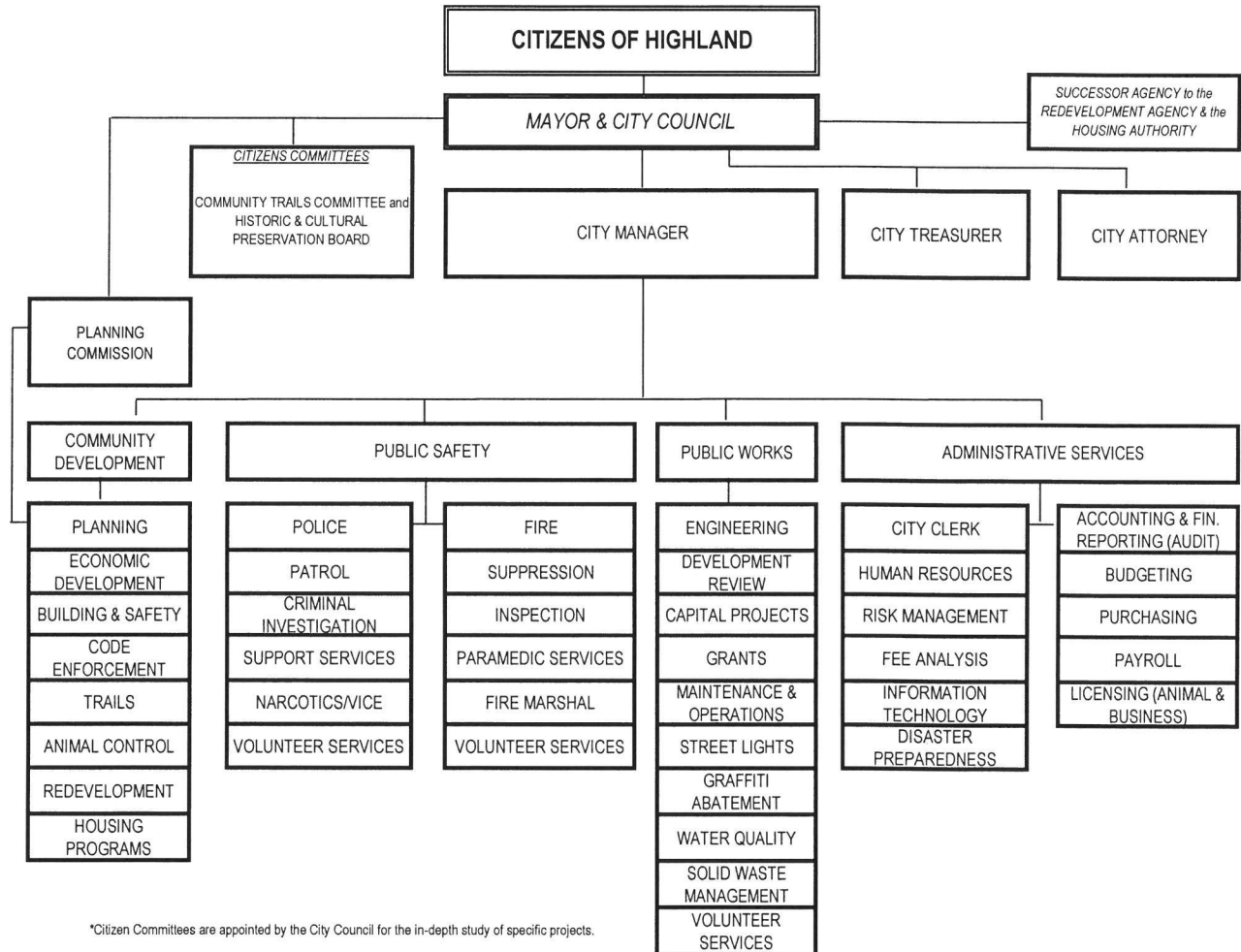
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CITY OF HIGHLAND

Annual Comprehensive Financial Report

Organizational Chart

June 30, 2021



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Government Finance Officers Association

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

Presented to

**City of Highland
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Highland provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of net position - Statement of revenues, expenditures, and changes in net position - Statement of cash flows	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets.
Type of inflow/ outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenditures during the year, regardless of when cash is received or paid	All revenues and expenditures during year, regardless of when cash is received or paid.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the city as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information

about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenditures are considered regardless of when cash is received or paid.

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

The Statement of Net Position and the Statement of Activities:

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

Reporting the City's Most Significant Funds

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

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

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Net Position June 30, 2021	
	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Capital and other assets	\$79,608,682	\$71,078,009
Capital assets, net	<u>225,865,157</u>	<u>227,112,025</u>
Total Assets	305,473,839	298,190,034
Deferred Outflows of Resources	1,360,925	1,263,271
Long-term liabilities	7,873,385	6,386,623
Other liabilities	<u>11,555,623</u>	<u>2,913,371</u>
Total Liabilities	19,429,008	9,299,994
Deferred Inflows of Resources	116,115	155,522
Net Position:		
Net Investment in capital assets	225,865,157	227,112,025
Restricted	41,680,443	43,981,778
Unrestricted	<u>19,744,041</u>	<u>18,903,986</u>
Total Net Position	\$287,289,641	\$289,997,789

The largest portion of the City's net position (78.6%) reflects its investments in capital assets (i.e., land, buildings, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending.

Restricted net position (14.5%) represents resources that are subject to external restrictions on how they may be used. Examples of restricted net position would be funds for gas tax, development impact fees, assessment districts and other special revenue funds.

Unrestricted net position (6.9%) can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. An example of unrestricted net position would be the general fund.

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

Changes in Net Position June 30, 2021 Governmental Activities		
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services	\$5,098,157	\$4,605,413
Operating contributions & grants	3,909,827	3,097,787
Capital contributions & grants	<u>4,994,406</u>	<u>4,730,717</u>
Total Program Revenues	14,002,390	12,433,917
General Revenues:		
Property taxes	14,517,673	14,021,888
Sales & use tax	3,714,315	3,076,668
Transient occupancy tax	271,603	264,958
Franchise fees	1,825,256	1,615,213
Business license tax	491,867	536,749
Other	40,576	44,146
Gain on Sale of Capital Asset	356,150	0
Investment income	133,727	436,821
Miscellaneous	<u>188,643</u>	<u>189,052</u>
Total General Revenues	21,539,810	20,185,495
Total Revenues	<u>35,542,200</u>	<u>32,619,412</u>
Expenditures:		
General government	2,970,378	2,667,209
Public works	13,951,011	10,727,700
Public safety	17,233,793	16,849,924
Community development	<u>3,610,883</u>	<u>3,254,385</u>
Total Expenditures	37,766,065	33,499,218
Change in net position	(2,223,865)	(879,806)
Restatement of net position	(484,283)	1,085,219
Change in net position	(2,708,148)	205,413
Beginning net position	289,997,789	289,792,376
Ending net position	\$287,289,641	\$289,997,789

The increase or decrease in net position can provide an indication as to whether the overall financial position of the city improved or deteriorated during the year. The net position of the City's governmental activities decreased by .9% (\$289.9M compared to \$287.3M). The net position (financial position) of the City changed as a result of the revenue and expense fluctuations described below.

The increase in total program revenues above is mainly due to the increase of Capital contributions & grants. Capital contributions & grants and operating contributions & grants increased as well. The award of grants, whether operating or capital will fluctuate from year to year. Depending on what year they are received will have an impact on program revenues.

General revenues increased overall in 2020/2021. The increase in sales tax is due to adding more commercial businesses during the year and more point-of-sale business such as Amazon. Other revenues such as franchise fees, investment income and miscellaneous revenues either increased or decreased marginally.

Expenditures in Public Works increased because of increased capital activity. Expenditures in Highways & Streets may vary year to year depending on availability of grant funds and funds on hand such as the Measure I fund, Development Impact Fee fund and the Capital Improvements fund. Public Safety expenditures increased primarily due to the increase in expenditures for the Sheriff's Department for police services and Cal-Fire for fire suppression and paramedic services. Community Development increased from last year.

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

For the reasons stated above, the City's net position decreased by \$2.6M (\$289.9M to \$287.3M).

Governmental Activities

Revenues by Source

	<u>2020/2021</u>	<u>%</u>	<u>2019/2020</u>	<u>%</u>
Charges for services	\$5,098,157	14.3%	\$4,605,413	14.1%
Operating contributions & grants	3,909,827	11.0%	3,097,797	9.5%
Capital contributions & grants	4,994,406	14.1%	4,730,717	14.5%
Property taxes	14,517,673	40.8%	14,021,888	43.0%
Sales & use tax	3,714,315	10.5%	3,076,668	9.4%
Transient occupancy tax	271,603	0.8%	264,958	0.8%
Franchise fees	1,825,256	5.1%	1,615,213	5.0%
Business license tax	491,867	1.4%	536,749	1.6%
Other	40,576	0.1%	44,146	0.1%
Gain of Sale of Capital Asset	356,150	1.0%	0	0.0%
Investment income	133,727	0.4%	436,821	1.3%
Miscellaneous	188,643	0.5%	189,052	0.7%
Total Revenues	\$35,542,200	100.0%	\$32,619,412	100.0%

Expenditures by Function

	<u>2020/2021</u>	<u>%</u>	<u>2019/2020</u>	<u>%</u>
General government	\$2,970,378	7.9%	\$2,667,209	8.0%
Highways & streets	13,951,011	36.9%	10,727,700	32.0%
Community development	3,610,883	9.6%	3,254,385	9.7%
Public safety	17,233,793	45.6%	16,849,924	50.3%
Total Expenditures	\$37,766,065	100.0%	\$32,045,782	100.0%

MAJOR FUNDS

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

Major Governmental Funds

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$15,919,794. The total fund balance is broken down into two categories, Nonspendable and Spendable. Spendable is then broken down into three sub-categories: Restricted, Assigned and Unassigned. Nonspendable is just that, it cannot be spent because it is not in a spendable form, such as inventory. Restricted means there have been restrictions placed on how these funds can be used (similar to the "reserved" term we used to use). Committed means the City Council has committed these funds for a specific project or intent. And lastly, Assigned means the City Council has given permission to the City Manager to assign funds to a specific project or intent.

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

- Starting in fiscal year 2016/2017, we merged the Fire Department Fund into the General Fund because there is no legal requirement to keep them separated. When Highland took over Fire Services in 1999, we were able to separate out which property taxes had been received for the General Fund and which property taxes would be received in the future for the newly acquired fire services. Because we could account for these property taxes separately, a new Fire Department fund was setup so that fire services could be tracked separately. We will continue to budget for the Fire Department in its own fund, but it will continue to be included with the General Fund in future financial statements.
- Total revenues (excluding operating transfers) increased by \$1,342,979, a 6.2% increase. Taxes increased by 6.8% or \$1,323,360. This is attributable to increasing property values (property taxes). Licenses and Permits increased by 21.4% or \$108,957 due to increased building permit activity. Charges for Services increased by 2.6% or \$32,757 due to increases in planning and engineering applications. Interest income decreased by \$171,530 as a result of decreasing interest rates.
- Total expenditures (excluding operating transfers) decreased by \$309,103. General government expenditures increased by 11.3% or \$215,038. Public safety (police department, fire department & animal control) decreased by 2.6% or \$363,823. In FY 2021, annual contract increases for Police & Fire were offset by the City receiving two, one-time grants from the federal government (CARES Act) relating to COVID-19.
- Fund Balance in the general fund increased by \$2,043,560 because of the reasons stated above.

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

- Expenditures in this fund increased by \$1,606,139 primarily because of the amount of capital projects that were constructed in the current year. The use of grants varies from year to year.
- Typically, revenues should equal expenditures in this fund. However, some projects cannot be reimbursed until the project is over or reimbursements are not received in a timely fashion and are not accounted for in the same period as the expenditures. This will lead to expenditures over revenues in some years as well as a negative fund balance on some occasions. In rare circumstances, we will receive the revenue before the project is started

and expenditures are incurred. The amounts for grants not received in 2020/2021 are expected to be received in fiscal year 2021/2022.

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

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

- The overall expenditures in this department increased by \$731,153 primarily due to higher grant and joint project activity in 2020/2021 than in 2019/2020. The use of grants and joint projects will vary from year to year. There was a considerable amount of capital project activity in this fund including, but not limited to; MSRC (Mobile Source Reduction Committee), RAC (Rubberized Asphalt Concrete), SLPP (State & Local Partnership Program). The joint projects include street improvement projects with our neighboring cities, Redlands, and San Bernardino and with the IVDA (Inland Valley Development Agency) and San Manuel Band of Mission Indians.
- The overall revenues in this fund decreased by \$2,664,937 or 86.1% primarily due to the timing of receiving and expending funds.
- The fund balance of this fund decreased by \$2,255,249 primarily due to the use of prior year revenue (\$2.2M) from IVDA for the SR210 Baseline Interchange project.

The **Development Impact Fee (DIF)** fund was established for new development to pay for the construction or expansion of off-site capital improvements that are necessitated by and benefit the new development.

The reasons for significant changes in the revenues, expenditures, and fund balance of the development impact fee fund from the prior year are as follows:

- Revenues in this fund increased from \$425,987 in 2019/2020 to \$1,219,704 in 2020/2021 as a result of increased construction activity in the current year. Investment income decreased by \$131,582 because of decreasing interest rates.
- Expenditures in this fund decreased by \$891,902 due to this fund being more heavily used to pay for capital projects in 2019/2020 than in 2020/2021. Construction activity in this fund is expected to continue in fiscal year 2021/2022.
- The fund balance in this fund increased overall by \$620,072. This fund is expected to see an increase in activity in fiscal year 2021/2022.

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

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

- Revenues in this fund decreased by \$100,945 in 2020/2021. Investment income decreased by \$161,287 as a result of decreasing interest rates.
- Expenditures in this fund increased by \$1,250,671. Overall capital project construction activity was increased in fiscal year 2020/2021. This fund will continue to spend down the former RDA bond proceeds over the next several years and will probably see the capital project construction activity increase in fiscal year 2021/2022. With the main revenue source being only interest income, the fund balance will also be reduced over that same period.

Major Enterprise Funds

The City does not have any enterprise funds.

GENERAL FUND-BUDGET

The total expenditures of the general fund did not exceed the total appropriations for 2020/2021.

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

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

- \$295,000 General Fund transfer to the General Capital Financing fund to help offset future capital project expenditures.
- \$178,650 General Fund transfer to the Insurance Fund to help offset current year expenditures in this fund.
- \$215,000 General Fund transfer to the General Services fund to help offset future expenditures in this fund.
- Significant budgetary variances in the General Fund include:

The City received two CARES Act grants, both in the amount of \$683,080.00. One was received through the State and the other through the County. These two grants helped partially offset contract services in the Police Department (provided by San Bernardino County) and the Fire Department (provided by Cal Fire). This accounted for the two largest variances of expenditures in the General Fund. For fiscal year 2021/2022 & 2022/2023, the City received additional grant funding from the American Rescue Plan Act (ARPA). These funds can also be used to help offset the cost of public safety. As a result, the City may see these variances in the next two years as well.

As for revenues, the City realized \$500,000 actual revenues over budgeted revenues in the sales tax line item. We believe this was due to the additional point of sales purchases in Highland as a result of COVID-19, in addition to adding some new commercial businesses. This is the single largest significant variance for revenues in the General Fund. As in the past, some revenues increased, some decreased, and many remained relatively flat.

Additional information on the City's budget adjustments and policies can be found in the notes to required supplementary information on page 72.

CAPITAL ASSETS

Capital Assets (net of depreciation) Governmental Activities

	<u>2021</u>	<u>2020</u>
Land	\$4,485,030	\$4,530,880
Rights of Way	89,650,461	89,430,925
Construction in progress	8,480,446	11,817,407
Buildings & improvements	22,636,227	23,618,087
Equipment, furniture & software	1,284,424	1,238,919
Vehicles	1,843,738	1,953,902
Infrastructure	<u>97,484,831</u>	<u>94,521,905</u>
Total	<u>\$225,865,157</u>	<u>\$227,112,025</u>

The major additions to capital assets during the year ended June 30, 2021, were as follows:

- Purchased a Chevy Silverado Truck for Public Works
- Replaced several Automated License Plate Readers (ALPR) throughout the City.
- Placed new roofs on Fire Station No. 1 & No. 2.

Infrastructure additions include but are not limited to:

- Project No. STR 12-004 SR2S Warm Springs
- Project No. STR 12-005 SR2S Cole Cypress
- Project No. STR 18-002 Tippecanoe Avenue (9th to Vine)
- Project No. STR 18-003 Street Light Acquisition and LED Conversion
- Project No. OLA 18-001-OLA 20-001 CDBG Street FY 2018-2021
- Project No. SWK 16-001 Article 3 Sterling Ave/Water St/Central Ave
- Project No. SWK 17-001 Article 3 Transit Stop Improvements

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

LONG-TERM DEBT

Additional information on the City's long-term liabilities can be found in the notes to the accompanying financial statements starting on pages 57 - 58

Contacting the City's Financial Management:

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

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BASIC FINANCIAL STATEMENTS

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**City of Highland
Statement of Net Position
June 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 72,013,659
Receivables:	
Accounts	1,462,798
Interest	79,206
Property Taxes	62,856
Loans	695,728
Due from Other Governments	4,070,368
Advance to Successor Agency	1,213,732
Prepaid Items	10,335
Capital Assets Not Being Depreciated	102,615,937
Capital Assets, Net of Depreciation	<u>123,249,220</u>
Total Assets	<u>305,473,839</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Related Items	146,082
Pension Related Items	<u>1,214,843</u>
Total Deferred Outflows of Resources	<u>1,360,925</u>
LIABILITIES	
Accounts Payable	2,289,077
Accrued Liabilities	248,335
Retention Payable	82,311
Deposits Payable	1,169,435
Unearned Revenue	7,766,465
Noncurrent Liabilities:	
Due Within One Year	101,881
Due in More Than One Year	<u>7,771,504</u>
Total Liabilities	<u>19,429,008</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Related Items	13,318
Pension Related Items	<u>102,797</u>
Total Deferred Inflows of Resources	<u>116,115</u>
NET POSITION	
Net Investment in Capital Assets	225,865,157
Restricted for:	
Public Safety	4,622
Public Works	36,238,519
Community Development	5,437,302
Unrestricted	<u>19,744,041</u>
Total Net Position	<u><u>\$ 287,289,641</u></u>

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

**City of Highland
Statement of Activities
Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 2,970,378	\$ 362,563	\$ 88,526	\$ -	\$ (2,519,289)
Public Safety	17,233,793	1,307,179	667,988	15,759	(15,242,867)
Public Works	13,951,011	2,194,101	2,452,509	4,978,647	(4,325,754)
Community Development	3,610,883	1,234,314	700,804	-	(1,675,765)
Total Governmental Activities	<u>\$ 37,766,065</u>	<u>\$ 5,098,157</u>	<u>\$ 3,909,827</u>	<u>\$ 4,994,406</u>	<u>(23,763,675)</u>

General Revenues:

Taxes:

Property Tax	14,517,673
Sales and Use Tax	3,714,315
Transient Occupancy Tax	271,603
Franchise Tax	1,825,256
Business Licenses Tax	491,867
Other	40,576
Gain on Sale of Capital Assets	356,150
Investment Income	133,727
Miscellaneous	188,643

Total General Revenues 21,539,810

Change in Net Position (2,223,865)

Net Position - Beginning of Year 289,997,789

Restatement of Net Position (484,283)

Net Position - End of Year \$ 287,289,641

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

**City of Highland
Balance Sheet
Governmental Funds
June 30, 2021**

		Special Revenue		Capital Projects
	General	Grants	Major Grants	Capital Improvements
ASSETS				
Cash and Investments	\$ 14,140,115	\$ 11,506,493	\$ 6,955,537	\$ 8,137,266
Receivables:				
Accounts	1,209,613	-	-	-
Interest	50,858	4,228	-	2,371
Property Taxes	39,764	-	-	-
Loans	-	-	-	-
Due from Other Governments	1,106,293	429,241	1,078,073	-
Due from Other Funds	870,683	-	-	-
Advance to Successor Agency	964,284	-	-	-
Prepaid Items	10,335	-	-	-
Total Assets	<u>\$ 18,391,945</u>	<u>\$ 11,939,962</u>	<u>\$ 8,033,610</u>	<u>\$ 8,139,637</u>
LIABILITIES				
Accounts Payable	\$ 674,327	\$ 32,040	\$ 567,002	\$ 290,674
Accrued Liabilities	177,894	-	-	10,630
Retention Payable	-	1,855	25,143	2,160
Deposits Payable	1,169,435	-	-	-
Unearned Revenue	225,000	100,000	7,441,465	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>2,246,656</u>	<u>133,895</u>	<u>8,033,610</u>	<u>303,464</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues:	<u>225,495</u>	<u>327,704</u>	<u>273,951</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>225,495</u>	<u>327,704</u>	<u>273,951</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	974,619	-	-	-
Restricted	-	11,478,363	-	7,836,173
Committed	-	-	-	-
Assigned	11,680,011	-	-	-
Unassigned	3,265,164	-	(273,951)	-
Total Fund Balances	<u>15,919,794</u>	<u>11,478,363</u>	<u>(273,951)</u>	<u>7,836,173</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 18,391,945</u>	<u>\$ 11,939,962</u>	<u>\$ 8,033,610</u>	<u>\$ 8,139,637</u>

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

Capital Projects Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
\$ 8,012,632	\$ 18,509,025	\$ 67,261,068
-	250,924	1,460,537
5,426	12,626	75,509
-	23,092	62,856
-	695,728	695,728
-	1,456,761	4,070,368
-	-	870,683
-	249,448	1,213,732
-	-	10,335
<u>\$ 8,018,058</u>	<u>\$ 21,197,604</u>	<u>\$ 75,720,816</u>
\$ 354,748	\$ 337,884	\$ 2,256,675
-	50,855	239,379
13,222	39,931	82,311
-	-	1,169,435
-	-	7,766,465
-	870,683	870,683
<u>367,970</u>	<u>1,299,353</u>	<u>12,384,948</u>
-	528,692	1,355,842
-	528,692	1,355,842
-	-	974,619
7,650,088	14,715,819	41,680,443
-	-	-
-	5,073,966	16,753,977
-	(420,226)	2,570,987
<u>7,650,088</u>	<u>19,369,559</u>	<u>61,980,026</u>
<u>\$ 8,018,058</u>	<u>\$ 21,197,604</u>	<u>\$ 75,720,816</u>

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City of Highland
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

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

Fund Balances of Governmental Funds	\$ 61,980,026
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When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Capital Assets, Not Being Depreciated	102,615,937	
Capital Assets, Being Depreciated	212,047,116	
Accumulated Depreciation	<u>(88,797,896)</u>	
		225,865,157

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

Compensated Absences	(678,071)	
SBCTA Loan Payable	(953,364)	
Net Pension Liability	(5,040,141)	
Total OPEB Liability	<u>(1,052,760)</u>	
		(7,724,336)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

Deferred Outflows Related to Pensions	1,214,843	
Deferred Inflows Related to Pensions	(102,797)	
Deferred Outflows Related to OPEB	146,082	
Deferred Inflows Related to OPEB	(13,318)	

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,355,842
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Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance, self-insurance, and information technology, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

Net Position of Governmental Activities	<u><u>\$ 287,289,641</u></u>
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The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

City of Highland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund	Special Revenue		Capital Projects
		Grants	Major Grants	Capital Improvements
REVENUES				
Taxes	\$ 20,641,548	\$ -	\$ -	\$ -
Licenses and Permits	618,458	-	-	-
Intergovernmental	322,328	400,589	2,837,469	-
Charges for Services	1,273,007	-	-	-
Fines and Forfeitures	71,514	-	-	-
Investment Income	55,250	28,986	-	26,480
Rental Income	124,930	-	-	-
Miscellaneous	63,321	-	-	60,342
Total Revenues	23,170,356	429,575	2,837,469	86,822
EXPENDITURES				
Current:				
General Government	2,119,730	-	21,001	-
Public Safety	13,790,864	-	1,138,106	-
Public Works	1,647,781	192,442	-	215,132
Community Development	2,201,729	-	224,653	-
Capital Outlay	-	2,492,382	1,452,182	2,001,874
Total Expenditures	19,760,104	2,684,824	2,835,942	2,217,006
Excess (Deficiency) of Revenues Over Expenditures	3,410,252	(2,255,249)	1,527	(2,130,184)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	-	-
Issuance of Debt	-	-	-	-
Transfers In	284,104	-	-	-
Transfers Out	(1,650,796)	-	-	-
Total Other Financing Sources (Uses)	(1,366,692)	-	-	-
Net Change in Fund Balances	2,043,560	(2,255,249)	1,527	(2,130,184)
Fund Balances, Beginning of Year	13,876,234	13,733,612	(275,478)	9,966,357
Fund Balances, End of Year	\$ 15,919,794	\$ 11,478,363	\$ (273,951)	\$ 7,836,173

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Capital Projects Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,244,271	\$ 21,885,819
-	-	618,458
-	4,621,815	8,182,201
1,180,675	243,859	2,697,541
-	8,712	80,226
39,029	304,317	454,062
-	120,000	244,930
-	251,012	374,675
<u>1,219,704</u>	<u>6,793,986</u>	<u>34,537,912</u>
-	-	2,140,731
-	1,641,706	16,570,676
78,362	2,922,907	5,056,624
-	476,877	2,903,259
<u>990,351</u>	<u>1,872,037</u>	<u>8,808,826</u>
<u>1,068,713</u>	<u>6,913,527</u>	<u>35,480,116</u>
<u>150,991</u>	<u>(119,541)</u>	<u>(942,204)</u>
-	402,000	402,000
469,081	-	469,081
-	1,580,819	1,864,923
<u>-</u>	<u>(713,231)</u>	<u>(2,364,027)</u>
<u>469,081</u>	<u>1,269,588</u>	<u>371,977</u>
620,072	1,150,047	(570,227)
<u>7,030,016</u>	<u>18,219,512</u>	<u>62,550,253</u>
<u>\$ 7,650,088</u>	<u>\$ 19,369,559</u>	<u>\$ 61,980,026</u>

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

City of Highland
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

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

Net Changes in Fund Balances - Total Governmental Funds	\$ (570,227)
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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 depreciation exceeded capital outlays in the current period, and also the net effect of various transactions involving capital assets (i.e., sales and donations):

Capital Expenditures	4,041,825
Depreciation Expense	(5,493,118)
Donation of Capital Assets	389,696
Loss on Disposal	(185,271)

Revenues reported in the Statement of Activities, which are not considered available to finance current expenditures, are not reported as revenues in the governmental funds.	258,442
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The expenses below included in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (net change):

Compensated Absences	(62,606)
SBCTA Loan Payable	(469,081)
Net Pension Liability	(333,499)
Total OPEB Liability	(141,683)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension liability:

Deferred Outflows Related to Pensions	32,565
Deferred Inflows Related to Pensions	36,632
Deferred Outflows Related to OPEB	65,089
Deferred Inflows Related to OPEB	2,775

Internal Service Funds are used by management to charge the costs of certain activities, such as information technology and self-insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

204,596

Change in Net Position of Governmental Activities	\$ (2,223,865)
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The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

**City of Highland
Statement of Net Position
Proprietary Funds
June 30, 2021**

	Governmental Activities - Internal Service Funds
ASSETS	
Current:	
Cash and Investments	\$ 4,752,591
Receivables:	
Accounts	2,261
Interest	3,697
Total Assets	4,758,549
LIABILITIES	
Current:	
Accounts Payable	32,402
Accrued Liabilities	8,956
Claims Payable	5,000
Total Current Liabilities	46,358
Noncurrent:	
Claims Payable	144,049
Total Noncurrent Liabilities	144,049
Total Liabilities	190,407
NET POSITION	
Unrestricted	4,568,142
Total Net Position	\$ 4,568,142

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

City of Highland
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2021

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for Services	\$ 662,904
Miscellaneous	297,560
Total Operating Revenue	960,464
OPERATING EXPENSES	
Salaries and Benefits	121,082
Insurance Premiums	405,704
Claims and Judgments	-
Legal Fees	290,317
Administrative Expenses	463,210
Insurance Adjusting Fees	-
Total Operating Expenses	1,280,313
Operating Income (Loss)	(319,849)
NONOPERATING REVENUES (EXPENSES)	
Interest Revenue	25,341
Total Nonoperating Revenues (Expenses)	25,341
Income before Contributions and Transfers	
Transfers in	499,104
Change in Net Position	204,596
Total Net Position, Beginning of Year	4,363,546
Total Net Position, End of Year	\$ 4,568,142

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

**City of Highland
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 977,105
Cash Payments to Employees for Services	(194,672)
Cash Payments Made to Suppliers/Vendors	(1,093,538)
Net Cash Provided (Used) by Operating Activities	(311,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Other Funds	499,104
Net Cash Provided (Used) by Noncapital Financing Activities	499,104
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	39,642
Net Cash Provided (Used) by Investing Activities	39,642
Net Increase (Decrease) in Cash and Cash Equivalents	227,641
Cash and Cash Equivalents, Beginning of the Year	4,524,950
Cash and Cash Equivalents, End of the Year	\$ 4,752,591
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (319,849)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Accounts Receivable	16,641
Increase (Decrease) in Accounts Payable	(4,468)
Increase (Decrease) in Accrued Liabilities	961
Increase (Decrease) in Claims Payable	(4,390)
Total Adjustments	8,744
Total Cash Provided (Used) by Operating Activities	\$ (311,105)

The accompanying notes are an integral part of this statement.

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FOR DISCUSSION PURPOSES ONLY

**City of Highland
Statement of Net Position
Fiduciary Funds
June 30, 2021**

	Successor Agency Private-purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Investments	\$ 2,407,773	\$ -
Restricted Assets:		
Cash and Investments with Fiscal Agents	1,146,888	3,959,290
Total Assets	3,554,661	3,959,290
LIABILITIES		
Accrued Interest Payable	443,089	-
Advance from City of Highland	1,213,732	-
Long Term Liabilities:		
Due within one year	1,947,424	-
Due in more than one year	39,810,168	-
Total Liabilities	43,414,413	-
NET POSITION		
Net Position Held for the Benefit of Others	-	(3,959,290)
Net Position (Deficit) Held in Trust for Successor Agency	(39,859,752)	-
Total Net Position	\$ (39,859,752)	\$ 3,959,290

The accompanying notes are an integral part of this statement.

DRAFT 11/30/21
FOR DISCUSSION PURPOSES ONLY

City of Highland
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2021

	Successor Agency Private-purpose Trust Fund	Custodial Fund
ADDITIONS		
Taxes and Assessments	\$ 3,679,523	\$ 2,632,799
Interest Income	125	-
Total Additions	3,679,648	2,632,799
DEDUCTIONS		
Administrative Expenses	16,593	-
Interest and Fiscal Charges	1,525,212	423,474
Total Deductions	1,541,805	423,474
Change in Net Position	2,137,843	2,209,325
Net Position, Beginning of Year	(41,997,595)	1,749,965
Net Position, End of Year	<u>\$ (39,859,752)</u>	<u>\$ 3,959,290</u>

The accompanying notes are an integral part of this statement.

DRAFT 11/30/21
FOR DISCUSSION PURPOSES ONLY

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Description of Reporting Entity

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

The following component units meet the above-mentioned criteria, and are therefore included within the financial reporting entity of the City of Highland: the City of Highland Public Financing Authority and City of Highland Housing Authority.

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

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

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

B) Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated in the Statement of Activities. An exception to this general rule would be for interfund services provided and used, which are not eliminated in the consolidation process. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included amount program revenues are reported instead as *general revenues*.

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

Program revenues include charges for services and payments made by parties outside 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 expense. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expense.

Fund Financial Statements

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. 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 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, except for grants which are considered available if they are collected within 90 days after year-end.

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

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

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

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2021**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Proprietary and Fiduciary Funds

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

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

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

C) Fund Classifications

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

The City reports the following major governmental funds:

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

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

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

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Development Impact Fees Capital Projects Fund - This fund is used to account for AB 1600 fees collected that are restricted for capital improvements for police facilities, fire facilities, general facilities, parks & recreation facilities, storm drains, streets/sidewalks, traffic control, bridges/culverts, streetlights, medians/landscaping and major arterials.

The City also reports the following fund types:

Proprietary Funds:

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

Fiduciary Funds:

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

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

D) Cash and Investments

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

Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. 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 balance.

E) Advances to Successor Agency

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F) Inventory and Prepaid Items

Inventory held by the general fund is stated at average cost using the consumption method. Prepaid items are for payments to vendors for costs applicable to future accounting periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G) Property Tax Calendar

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

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

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

H) Claims and Judgments

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

I) Interfund Transactions

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

J) Compensated Absences

Permanent City employees earn from 80 to 160 vacation hours a year, depending upon their length of employment, and 96 sick hours a year. Employees can carry forward up to 400 hours in earned but unused vacation hours. Any regular full-time employee who voluntarily separates or retires from the City after a minimum of 10 years of service will be compensated for 40% of all unused sick leave at their current rate of pay. Floating holidays may be accumulated up to 48 hours, comp time earned up to 80 hours, and administration time may be accumulated up to 160 hours.

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

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2021**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets received prior to the implementation of GASB 72 are valued at their estimated fair market value at the date of the contribution. Contributed capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. Generally, capital asset purchases in excess of \$30,000 and infrastructure greater than \$100,000 are capitalized.

Capital assets include public domain (infrastructure) assets consisting of certain improvements including roads, streets, curbs, gutters, sidewalks, street lights, signs and signals, parks equipment, and storm drains. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported in the respective statement of net position.

The following schedule summarizes capital asset useful lives:

Buildings and Improvements	20 - 50 years
Equipment, Furniture and Software	3 - 20 years
Vehicles	3 - 15 years
Infrastructure - road system and storm drains	25 - 75 years

L) Use of Estimates

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

M) Net Position Flow Assumption

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted to use.

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 statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City currently reports deferred outflows related to the net pension and net OPEB liabilities in accordance with GASB Statements No. 68 and 75.

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 certain items, which arise only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

O) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board has issued the following Statements, which may affect the City's financial reporting requirements in the future:

GASB 87 – Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB 91 – Conduit Debt Obligations: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB 92 – Omnibus 2020: The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB 96 – Subscription-Based Information Technology Arrangements: The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023

P) Pensions

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

Q) Other Postemployment Benefits (OPEB)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used: July 1, 2019 Valuation Date, June 30, 2020 Measurement Date, and July 1, 2019 through June 30, 2020 Measurement Period.

R) Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 72,013,659
Statement of Fiduciary Net Position:	
Cash and Investments	2,407,773
Cash and Investments with Fiscal Agents	5,106,178
Total Cash and Investments	<u>\$ 79,527,610</u>

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FOR DISCUSSION PURPOSES ONLY

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS - Continued

Cash and Investments consist of the following:

Cash on Hand	\$ 1,150
Deposits with Financial Institutions	22,827,141
Investments	56,699,319
Total Cash and Investments	<u>\$ 79,527,610</u>

Investments Authorized by the City's Investment Policy

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

Investment Types Authorized by State Law	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
California Local Agency Bonds	5 years	None	None
United States Treasury Obligations	5 years	None	None
Securities of the State of California	5 years	None	None
United States Agency Securities	5 years	None	None
Commercial Paper	270 days	25%	10%
Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	None
Repurchase Agreements	92 days	None	None
Reverse Repurchase Agreements	1 year	20% Base Value	None
Mutual Funds	5 years	15%	10%
Medium Term Notes	5 years	30%	None
Mortgage Securities / Asset Backed	5 years	20%	None
California Asset Management Program (CAMP)	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive
N/A - Not Applicable

Investments Authorized by Debt Agreements

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS – Continued

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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 rate. 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 to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment by maturity:

Investment Type	Total June 30, 2021	Remaining Maturity		
		12 Months or Less	1 to 2 Years	2 to 5 Years
CAMP	\$ 7,384,661	\$ 7,384,661	\$ -	\$ -
LAIF	44,208,480	44,208,480	-	-
Held by Bond Fiscal Agent:				
Money Market Mutual Funds:				
Successor Agency	1,146,888	1,146,888	-	-
CFD	3,959,290	3,959,290	-	-
Total Pooled Investments	\$ 56,699,319	\$ 56,699,319	\$ -	\$ -

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 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 June 30, 2021	Minimum Legal Rating	AAA	Not Rated
CAMP	\$ 7,384,661	N/A	\$ 7,384,661	\$ -
LAIF	44,208,480	N/A	-	44,208,480
Held by Bond Fiscal Agent:				
Money Market Mutual Funds:				
Successor Agency	1,146,888	A	-	1,146,888
CFD	3,959,290	A	-	3,959,290
Total Pooled Investments	\$ 56,699,319		\$ 7,384,661	\$ 49,314,658

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**City of Highland
Notes to Financial Statements
Year Ended June 30, 2021**

2) CASH AND INVESTMENTS - Continued

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. There are no investments (other than LAIF and CAMP external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local government 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.

At June 30, 2021, the City's and the Successor Agency's deposits (bank balances) were either insured by the Federal Depository Insurance Corporation or collateralized under California Law.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investment in State Investment Pool

The City is a voluntary participant in the LAIF which 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.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

2) CASH AND INVESTMENTS - Continued

California Asset Management Program

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

The CAMP Cash Reserve Portfolio (the Pool) is exempt from registration with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds," of that Act. Accordingly, the Pool meets the definition of a "2a7-like pool" set forth in GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools."

While the Pool itself is exempt from SEC registration, the Pool's investment advisor and administrator, PFM Asset Management, LLC, is registered with the SEC as an investment advisor under the Investment Advisors Act of 1940. PFM Asset Management, LLC has also filed a notice with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws.

In addition, the Pool also meets the definition of "Municipal Fund Security" outlined by Municipal Securities Rulemaking Board (MSRB) Rule 0-12, therefore contracts with prospective investors relating to shares of the Pool are conducted through PFM Asset Management's wholly-owned subsidiary, PFMAM, Inc., a broker-dealer which is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers (NASD). The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2021 are as follows:

<u>Due From (Receivable)</u>	<u>Due to (Payable)</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 870,683
		<u>\$ 870,683</u>

Interfund balances are composed of short-term borrowings to cover deficit cash. Borrowings are expected to be repaid in the 2021-22 fiscal year.

Advances to Successor Agency consist of the following:

<u>Advances From</u>	<u>Amount</u>
General Fund	\$ 964,284
Housing Authority	
Special Revenue Fund	242,747
General Capital Financing	
Capital Projects Fund	6,701
Total	<u>\$ 1,213,732</u>

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

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

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

Interfund transfers for the 2020-21 fiscal year consist of the following:

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 1,435,796
	Internal Service Funds	215,000
Other Governmental Funds	General Fund	284,104
	Other Governmental Funds	145,023
	Internal Service Funds	284,104
		<u>\$ 2,364,027</u>

The transfer from the General Fund to the General Capital Financing Fund included \$295,000 for Future Projects. The General Fund (Fire Department) transferred \$1,099,090 to the Paramedic Department Special Revenue Fund to fund a shortage of medic tax revenue. The General Fund transferred \$215,000 to the Internal Service Funds (General Services Fund) to fund future expenditures. The General Fund also transferred \$41,706 to other nonmajor governmental funds to cover current year operating costs.

The General Capital Financing Fund transferred \$284,104 to the General Fund to increase capital project fund balance reserves. The General Capital Financing Fund transferred \$284,104 to the Internal Service Funds (General Services Fund) to fund future expenditures. The General Capital Financing Fund also transferred \$145,023 to the Gas Tax Fund to meet the SB 1 maintenance of effort requirement.

4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

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City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

4) CAPITAL ASSETS - Continued

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 4,530,880	\$ -	\$ (45,850)	\$ -	\$ 4,485,030
Rights of Way	89,430,925	214,223	-	5,313	89,650,461
Construction in Progress	11,817,407	3,988,249	-	(7,325,210)	8,480,446
Total Capital Assets, Not Being Depreciated	105,779,212	4,202,472	(45,850)	(7,319,897)	102,615,937
Capital Assets Being Depreciated:					
Buildings and Improvements	40,246,327	-	-	108,284	40,354,611
Equipment, Furniture, and Software	4,986,470	-	(499,214)	323,881	4,811,137
Vehicles	3,379,568	53,576	(33,456)	-	3,399,688
Infrastructure - Road System	136,483,284	150,510	(166,706)	6,869,673	143,336,761
Infrastructure - Storm Drains	20,101,897	24,963	-	18,059	20,144,919
Total Capital Assets Being Depreciated	205,197,546	229,049	(699,376)	7,319,897	212,047,116
Less Accumulated Depreciation:					
Buildings and Improvements	(16,628,240)	(1,090,144)	-	-	(17,718,384)
Equipment, Furniture, and Software	(3,747,551)	(278,376)	499,214	-	(3,526,713)
Vehicles	(1,425,666)	(163,740)	33,456	-	(1,555,950)
Infrastructure - Road System	(58,444,865)	(3,682,929)	27,285	-	(62,100,509)
Infrastructure - Storm Drains	(3,618,411)	(277,929)	-	-	(3,896,340)
Total Accumulated Depreciation	(83,864,733)	(5,493,118)	559,955	-	(88,797,896)
Net Capital Assets Being Depreciated	121,332,813	(5,264,069)	(139,421)	7,319,897	123,249,220
Total Governmental Activities Capital Assets	\$ 227,112,025	\$ (1,061,597)	\$ (185,271)	\$ -	\$ 225,865,157

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

General Government	\$ 134,413
Public Safety	663,117
Public Works	3,987,964
Community Development	707,624
Total	<u>\$ 5,493,118</u>

5) LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2021:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Claims Payable	\$ 153,439	\$ -	\$ 4,390	\$ 149,049	\$ 5,000
Compensated Absences	615,465	258,438	195,832	678,071	96,881
SBCTA Loan Payable	484,283	469,081	-	953,364	-
Total OPEB Liability	911,077	141,683	-	1,052,760	-
Net Pension Liability	4,706,642	333,499	-	5,040,141	-
Total	\$ 6,870,906	\$ 1,202,701	\$ 200,222	\$ 7,873,385	\$ 101,881

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2021**

5) LONG-TERM LIABILITIES – Continued

Claims Payable

The City retains the risk of loss for general liability and workers' compensation claims as described in Note 9. These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2021 is dependent on future developments, based upon information from the City's attorneys, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2021 for general liability claims amounted to \$149,049 and none for workers' compensation claims.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. J. As of June 30, 2021, this liability, to be paid in future years primarily from the general fund, is \$678,071.

The General Fund has typically been used in prior years to liquidate other long-term liabilities.

SBCTA Loan Payable

In 2018, the City entered into a non-interest-bearing term Loan Agreement with the San Bernardino County Transportation Authority (SBCTA) to fund project costs for the *State Route 210 Baseline Interchange Project*. Per Article 2.2 of the agreement, SBCTA is authorized to withhold *Valley Major Street Program – Arterial Sub-Program* funds available to the City to pay the City's share of costs.

The amount withheld is equal to the loan payable amount. The maximum amount of the loan will not exceed \$9,682,383, which is two-thirds of the estimated City share of project costs. There is currently no repayment schedule for the loan.

The loan is secured by Measure I Local Funds and payable from *Regional Transportation Development Impact Fees* (DIF), unless the DIF is required by the City to complete other committed projects. The loan has a maximum 10-year term, which begins at the completion of the construction of the project, with the first payment coming due no later than the end of construction. Per the terms of the agreement, the City is in default if funds are not repaid by the end of the term, at which point the terms would be renegotiated. SBCTA is authorized to withhold *Measure I* funds upon default, to satisfy the loan payments. If full repayment of the loan is not made by the end of the *Measure I 2010 – 2040* sales tax, SBCTA will forgive the loan obligation.

The loan balance at June 30, 2021 is equal to \$953,365.

6) FIDUCIARY FUND LONG-TERM DEBT

The following is a summary of long-term debt for the Successor Agency Private-purpose Trust Fund:

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

6) FIDUCIARY FUND LONG-TERM DEBT – Continued

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
2004B Refunding	\$ 1,235,000	\$ -	\$ 220,000	\$ 1,015,000	\$ 230,000
2015A	10,810,000	-	375,000	10,435,000	395,000
Unamortized Premium	853,998	-	58,112	795,886	58,112
2017 Refunding	31,140,000	-	1,215,000	29,925,000	1,240,000
Unamortized Discount	(437,606)	-	24,312	(413,294)	24,312
Total	\$ 43,601,392	\$ -	\$ 1,892,424	\$ 41,757,592	\$ 1,947,424

2004B Tax Allocation Refunding Bonds

In December 2004, the City of Highland Redevelopment Agency issued \$3,690,000 Tax Allocation Refunding Bonds Series 2004B. Proceeds from the bonds were used to refund the Agency's Highland Redevelopment Project Area No. 1, 1994 Tax Allocation Refunding Bonds.

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

The term bonds maturing in the years 2019 and 2024 are subject to mandatory sinking account redemption on each December 1, commencing on December 1, 2019 and December 1, 2029, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium. At June 30, 2021, the outstanding balance of the bonds was \$1,015,000.

Future debt service requirements for the 2004B Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 230,000	\$ 50,850	\$ 280,850
2023	250,000	37,290	287,290
2024	260,000	22,883	282,883
2025	275,000	7,769	282,769
Totals	\$ 1,015,000	\$ 118,791	\$ 1,133,791

2015A Tax Allocation Bonds

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

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

6) FIDUCIARY FUND LONG-TERM DEBT – Continued

Term bonds of \$3,935,000 accrue interest at 3.5% and mature on December 1, 2034. At June 30, 2021, the outstanding balance of the bonds was \$10,435,000, with future debt service requirements as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 395,000	\$ 438,500	\$ 833,500
2023	410,000	418,375	828,375
2024	435,000	397,250	832,250
2025	455,000	375,000	830,000
2026	710,000	345,875	1,055,875
2027	750,000	309,375	1,059,375
2028	785,000	271,000	1,056,000
2029	820,000	238,050	1,058,050
2030	850,000	203,475	1,053,475
2031	890,000	159,975	1,049,975
2032	935,000	121,363	1,056,363
2033	965,000	88,113	1,053,113
2034	1,000,000	53,725	1,053,725
2035	1,035,000	18,113	1,053,113
Totals	\$ 10,435,000	\$ 3,438,188	\$ 13,873,188

2017 Tax Allocation Refunding Bonds

In September 2017, the Successor Agency to the Highland Redevelopment Agency issued \$33,515,000 Tax Allocation Refunding Bonds Series 2017 for the purpose of refunding the outstanding balance of the Tax Allocation Bonds Series 2007. As a result, the 2007 bonds are considered defeased and the liability has been removed from these financial statements.

The 2017 bonds consist of \$11,540,000 of serial bonds and \$21,975,000 of term bonds. The serial bonds accrue interest at rates between 1.50% and 3.125% and the principal amounts mature between February 1, 2019 and February 1, 2027 in amounts ranging from \$1,180,000 to \$1,420,000. Term bonds of \$7,850,000 and \$14,125,000, accrue interest at 3.375%, maturing on February 1, 2032 and 3.625%, maturing on February 1, 2038, respectively.

At June 30, 2021, the outstanding balance of the bonds was \$29,925,000. Future debt service requirements for the 2017 Bonds are as follows:

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Notes to Financial Statements
Year Ended June 30, 2021

6) FIDUCIARY FUND LONG-TERM DEBT - Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,240,000	\$ 996,719	\$ 2,236,719
2023	1,270,000	968,819	2,238,819
2024	1,300,000	937,069	2,237,069
2025	1,335,000	902,944	2,237,944
2026	1,385,000	862,894	2,247,894
2027	1,420,000	821,344	2,241,344
2028	1,465,000	776,969	2,241,969
2029	1,515,000	727,525	2,242,525
2030	1,570,000	676,394	2,246,394
2031	1,625,000	623,406	2,248,406
2032	1,675,000	568,562	2,243,562
2033	1,735,000	512,031	2,247,031
2034	1,800,000	449,138	2,249,138
2035	1,860,000	383,887	2,243,887
2036	2,805,000	316,462	3,121,462
2037	2,910,000	214,781	3,124,781
2038	3,015,000	109,294	3,124,294
Totals	<u>\$ 29,925,000</u>	<u>\$ 10,848,238</u>	<u>\$ 40,773,238</u>

7) PENSION PLAN

General Information about the Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The City sponsors two rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2019 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2019 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2021**

7) PENSION PLAN - Continued

	Miscellaneous	Miscellaneous PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	1-year average	Last 36 Mos. of Service
Required employee contribution rates	7%	7.25%
Required employer contribution rates	11.746% + \$409,329	7.874% + \$3,500

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$412,829 in fiscal year 2021.

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

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

As of June 30, 2021, the City reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$5,040,141.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.04593%
Proportion - June 30, 2020	0.04632%
Change - Increase (Decrease)	0.00039%

For the year ended June 30, 2021, the City recognized pension expense of \$992,780. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2021**

7) PENSION PLAN - Continued

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 728,478	\$ -
Differences between actual and expected experience	259,733	-
Changes in assumptions	-	35,948
Differences between employer's contributions and proportionate share of contributions	-	66,849
Change in employer's proportions	76,907	-
Net differences between projected and actual earnings on plan investments	149,725	-
Total	<u>\$ 1,214,843</u>	<u>\$ 102,797</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$728,478 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2022	\$ 54,763
2023	144,468
2024	112,525
2025	71,812
2026	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

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

(2) Derived using CalPERS' Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

City of Highland
Notes to Financial Statements
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7) PENSION PLAN - Continued

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%

(1) An expected inflation of 2.0% used for this period.

(2) An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease		6.15%
Net Pension Liability	\$	7,860,887
Current Discount Rate		7.15%
Net Pension Liability	\$	5,040,141
1% Increase		8.15%
Net Pension Liability	\$	2,709,448

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Notes to Financial Statements
Year Ended June 30, 2021**

7) PENSION PLAN - Continued

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan - At June 30, 2021, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2021.

8) OTHER POSTEMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan Description – The City has established the Highland Retiree Healthcare Plan (the Plan), and participates in single-employer defined benefit retiree healthcare plan. A separate financial report is not prepared for the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – Under the Plan, the City pays \$200 per month for eligible retirees' health coverage, regardless of classification. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. The City benefit is paid for the lifetime of the retiree. The City also pays the PEMCHA administrative fee (0.24% of premium for 2020/21). The City does not provide dental and vision benefits.

Employees Covered by Benefit Terms – As of the July 1, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees currently receiving benefits	10
Active employees	34
Total	44

Contributions – The City contributes to the Plan on a pay-as-you-go basis.

Total OPEB Liability – The City's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation dated July 1, 2019 using the entry age, level percent of pay cost method, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2019
Actuarial Cost Method	Entry Age, Level Percent of Pay
Mortality	Pre-retirement: RP-2014 Employee Mortality Table. Post-retirement: RP-2014 Health Annuitant Mortality Table
Health Care Trend Rate	5.90% for 2020, 5.80% for 2021, 5.70% for 2022, and decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years.
Inflation Rate	3.00%
Salary Increases	3.00%
Discount Rate	2.45% - Fidelity GO AA 20 Years Municipal Index

Discount Rate – The discount rate used to measure the total OPEB liability was 2.45 percent and is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

8) OTHER POST EMPLOYMENT BENEFITS – Continued

Changes in the Total OPEB Liability

	Total OPEB Liability (TOL)
Balance at June 30, 2020	\$ 911,077
Changes in the year:	
Service cost	66,100
Interest on the total OPEB liability	29,999
Changes in assumptions or other inputs	83,368
Benefit payments, including implicit subsidy	(37,784)
Net changes	141,683
Balance at June 30, 2021	\$ 1,052,760

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the City if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 1,198,169	\$ 1,052,760	\$ 933,814

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District, as well as what the City's total OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (4.9% for 2020 4% ultimate, 3% at Medicare Ages)	Current Rates (5.9% for 2020, 5% ultimate, 4% at Medicare Ages)	1% Increase (6.9% for 2020, 6% ultimate, 5% at Medicare Ages)
Total OPEB liability	\$ 930,379	\$ 1,052,760	\$ 1,215,986

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$115,203. At June 30, 2021, the City reported deferred outflows and deferred inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to the Measurement Date	\$ 28,800	\$ -
Difference between expected and actual experience	-	13,318
Changes of Assumptions	117,282	-
Total	\$ 146,082	\$ 13,318

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

8) OTHER POST EMPLOYMENT BENEFITS – Continued

The \$28,800 reported as deferred outflows related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal ending June 30, 2021. Other amounts reported as deferred outflows and inflows related to OPEB will be recognized as expense as follows:

Year Ending June 30,		
2022	\$	19,104
2023		19,104
2024		19,104
2025		19,104
2026		17,740
Thereafter		9,808

9) RISK MANAGEMENT

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

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers' compensation, and property claims. Under the program, the City has a \$100,000 retention limit similar to a deductible with PARSAC being responsible for losses above that amount up to \$1 million.

PARSAC has additional coverage of \$34 million in excess of its \$1 million retention limit through affiliated risk management authorities. PARSAC also provides \$1 billion aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance.

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

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

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

City of Highland
Notes to Financial Statements
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9) RISK MANAGEMENT - Continued

The workers' compensation and general liability claims administrators have estimated liabilities for probable future payments including an estimate for claims incurred but not reported. Claims outstanding as of June 30, 2021, and changes during the past fiscal year was as follows:

	General Liability Claims		\$	149,049	
	Total		\$	<u>149,049</u>	
	Claims Payable				Claims Payable
	Beginning				End
Fiscal Year	of Year	Additions	Deletions		of Year
2020-21	\$ 153,439	\$ -	\$ 4,390	\$	149,049
2019-20	155,332	-	1,893		153,439

10) DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT

2001 Special Tax Bonds (Mello-Roos):

On September 1, 2001, the City of Highland Community Facilities District No. 2001-1 issued a Special Tax Bonds, Series 2001 in the amount of \$6,655,000. The bonds were issued to finance various public improvements located within the District and to prepay special taxes levied by CFD 90-1. In 2011, the Series 2001 bonds were refunded with the issuance of the Special Tax Refunding Bonds, Series 2011.

In June, 2021, the series 2011 bonds were refunded with the issuance of the CFD 2001-1 Special Tax Refunding Bond, Issue of 2021.

The special term bonds mature on September 1, 2028. Interest rates on the bonds are 1.545% with annual principal and interest payments ranging from \$343,141 to \$353,329. Principal and interest payments on the tax bonds are payable solely from special tax assessments to be levied and collected from property owners within the District. It is management's determination that the City of Highland is in no way liable for repayment, but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate.

At June 30, 2021, the amount outstanding was \$2,300,000.

11) COMMITMENTS AND CONTINGENCIES

The City is a defendant in various litigations in the normal course of City operations, which in the opinion of management will not significantly adversely affect the City's financial position. The City participates in various federal and state programs. These programs are subject to examination by the grantors, and the amount of expenditures which may be disallowed by the granting agencies, if any, cannot be determined at this time.

12) FUND BALANCE

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

City of Highland
Notes to Financial Statements
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12) FUND BALANCE – Continued

The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

Assigned Fund Balance - This classification includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance. Unlike commitments, an additional action does not normally have to be taken for the removal of an assignment.

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

The City's fund balances at June 30, 2021, are presented below:

City of Highland
Notes to Financial Statements
Year Ended June 30, 2021

12) FUND BALANCE – Continued

	Special Revenue			Capital Projects Funds		Total Non-major Governmental Funds	Total Governmental Funds
	General	Grants	Major Grants	Capital Improvements	Development Impact Fees		
Nonspendable:							
Prepaid Items	\$ 10,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,335
Long-term Advances & Loans	964,284	-	-	-	-	-	964,284
Restricted:							
Public Safety Operations	-	-	-	-	-	4,623	4,623
Highways and Street Projects	-	11,478,363	-	7,836,173	-	5,452,816	24,767,352
Parks and Recreation	-	-	-	-	-	219,264	219,264
Capital Improvements	-	-	-	-	7,650,088	4,442,499	12,092,587
Low and Moderate Income Housing Activities	-	-	-	-	-	4,596,618	4,596,618
Assigned:							
Public Safety:							
Vehicle Replacement	1,600,000	-	-	-	-	-	1,600,000
Equipment Replacement	250,000	-	-	-	-	-	250,000
Other Purposes:							
Vehicle Replacement	275,000	-	-	-	-	-	275,000
Equipment Replacement	200,000	-	-	-	-	-	200,000
Compensated Absences	678,071	-	-	-	-	-	678,071
Net Pension Liability	1,000,000	-	-	-	-	-	1,000,000
OPEB Liability	225,000	-	-	-	-	-	225,000
Capital Projects	850,000	-	-	-	-	3,323,966	4,173,966
Technical Enhancements	300,000	-	-	-	-	-	300,000
Service Enhancements	1,451,940	-	-	-	-	-	1,451,940
City Hall	200,000	-	-	-	-	-	200,000
Fire Facilities	4,650,000	-	-	-	-	1,750,000	6,400,000
Unassigned	3,265,164	-	(273,951)	-	-	(420,226)	2,570,987
Total Fund Balance (Deficit)	\$ 15,919,794	\$ 11,478,363	\$ (273,951)	\$ 7,836,173	\$ 7,650,088	\$ 19,369,560	\$ 61,980,027

13) FUND DEFICITS

Deficits in nonmajor funds at June 30, 2021 included the following: Article 3 Special Revenue Fund - \$74,556; CDBG Special Revenue Fund - \$243,072; Justice Assistance Grant Special Revenue Fund - \$15,759. These deficits are due to the application of the availability period in governmental funds for grants due from other governments. The related revenues are expected to be received and recognized in the subsequent fiscal year.

The Landscape Maintenance District nonmajor fund also had a deficit fund balance in the amount of \$86,829. The deficit was due to an excess of expenditures over revenues during the year. Expenditures were in excess of revenues due to expenditures increasing and the limitations of increasing assessments per Proposition 218. To avoid future deficits, the City will be installing various improvements to decrease operating expenditures. If these reductions in expenditures do not balance this fund, the City will have to look at increasing assessments within the District.

14) PRIOR PERIOD ADJUSTMENT

Beginning net position in the Governmental Activities was decreased by \$484,283 for the SBCTA Loan Payable not reported in the prior year.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Highland
Budgetary Comparison Schedule By Department
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 19,891,670	\$ 20,291,810	\$ 20,641,548	\$ 349,738
Licenses and Permits	603,905	603,905	618,458	14,553
Intergovernmental	489,500	264,500	322,328	57,828
Charges for Services	1,462,750	1,462,750	1,273,007	(189,743)
Fines and Forfeitures	60,000	60,000	71,514	11,514
Investment Income	120,000	276,000	55,250	(220,750)
Rental Income	277,000	121,000	124,930	3,930
Miscellaneous	16,000	16,000	63,321	47,321
Total Revenues	22,920,825	23,095,965	23,170,356	74,391
EXPENDITURES:				
Current:				
General Government:				
City Council	196,920	196,920	178,683	18,237
City Clerk	354,840	354,840	305,370	49,470
General Government	781,700	801,365	942,802	(141,437)
Personnel	64,620	64,620	56,626	7,994
Finance	675,735	675,735	636,248	39,487
Public Safety:				
Police Department	11,112,040	11,287,180	10,765,619	521,561
Animal Control	472,880	472,880	409,475	63,405
Fire Department	5,218,055	3,530,620	2,615,770	914,850
Public Works:				
Engineering	522,170	522,170	495,650	26,520
Parks	1,155,000	1,103,730	1,015,342	88,388
Graffiti	122,665	124,845	124,844	1
Trails	9,500	11,950	11,946	4
Community Development:				
Planning	927,530	927,530	730,547	196,983
Public Services	641,460	641,460	489,046	152,414
Building and Safety	710,810	710,810	513,463	197,347
Code Enforcement	425,040	425,040	392,893	32,147
Community Volunteer Services	96,700	96,700	75,780	20,920
Capital Outlay	500,000	500,000	-	500,000
Total Expenditures	23,987,665	22,448,395	19,760,104	2,688,291
Excess (Deficiency) of Revenues over Expenditures	(1,066,840)	647,570	3,410,252	2,762,682
OTHER FINANCING SOURCES (USES):				
Transfers In	-	284,105	284,104	1
Transfers Out	(1,758,535)	(2,268,535)	(1,650,796)	617,739
Total Other Financing Sources (Uses)	(1,758,535)	(1,984,430)	(1,366,692)	617,740
Net Change in Fund Balance	(2,825,375)	(1,336,860)	2,043,560	3,380,420
Fund Balance, Beginning of Year	13,876,234	13,876,234	13,876,234	-
Fund Balance, End of Year	\$ 11,050,859	\$ 12,539,374	\$ 15,919,794	\$ 3,380,420

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City of Highland
Budgetary Comparison Schedule
Budget and Actual - Grants
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental	\$ 7,396,000	\$ 7,468,000	\$ 400,589	\$ (7,067,411)
Investment Income	-	-	28,986	28,986
Miscellaneous	-	-	-	-
Total Revenues	7,396,000	7,468,000	429,575	(7,038,425)
EXPENDITURES:				
Current:				
Public Works	-	-	192,442	(192,442)
Capital Outlay	14,054,000	14,126,000	2,492,382	11,633,618
Total Expenditures	14,054,000	14,126,000	2,684,824	11,441,176
Excess (Deficiency) of Revenues over Expenditures	(6,658,000)	(6,658,000)	(2,255,249)	4,402,751
Fund Balance, Beginning of Year	13,733,612	13,733,612	13,733,612	-
Fund Balance, End of Year	\$ 7,075,612	\$ 7,075,612	\$ 11,478,363	\$ 4,402,751

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City of Highland
Budgetary Comparison Schedule
Budget and Actual - Major Grants
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental	\$ 7,480,000	\$ 8,973,760	\$ 2,837,469	\$ (6,136,291)
Miscellaneous	-	-	-	-
Total Revenues	7,480,000	8,973,760	2,837,469	(6,136,291)
EXPENDITURES:				
Current:				
General Government	-	30,000	21,001	8,999
Public Safety	-	730,000	1,138,106	(408,106)
Community Development	-	606,160	224,653	381,507
Capital Outlay	7,480,000	7,607,600	1,452,182	6,155,418
Total Expenditures	7,480,000	8,973,760	2,835,942	6,137,818
Excess (Deficiency) of Revenues over Expenditures	-	-	1,527	1,527
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	1,527	1,527
Fund Balance, Beginning of Year	(275,478)	(275,478)	(275,478)	-
Fund Balance, End of Year	\$ (275,478)	\$ (275,478)	\$ (273,951)	\$ 1,527

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**City of Highland
Required Supplementary Information
Year Ended June 30, 2021**

**Schedule of Changes in Total OPEB Liability
And Related Ratios – Last Ten Fiscal Years***

	Measurement Period			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 66,100	\$ 57,152	\$ 25,712	\$ 24,963
Interest on total OPEB liability	29,999	30,820	25,599	25,002
Difference between expected and actual experience	-	(18,868)	(40,757)	-
Changes in Assumptions	83,368	65,412	-	-
Benefit payments, including implicit subsidy	(37,784)	(35,035)	(33,347)	(28,484)
Net change in total OPEB liability	141,683	99,481	(22,793)	21,481
Total OPEB liability - beginning	911,077	811,596	834,389	812,908
Total OPEB liability - ending	<u>\$ 1,052,760</u>	<u>\$ 911,077</u>	<u>\$ 811,596</u>	<u>\$ 834,389</u>
Covered-employee payroll	\$ 2,858,967	\$ 2,811,994	\$ 2,668,338	\$ 2,668,273
Total OPEB liability as a percentage of covered-employee payroll	36.82%	32.40%	30.42%	31.27%

*Fiscal year 2018 was the first year of implementation; therefore, 10 years of information are not yet available.

Notes to the Schedule of Changes in the City's Total OPEB Liability

No assets are accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4, to pay related benefits.

Benefit Changes: None

Changes in Assumptions: In 2019, the accounting discount rate changed from 3.62% to 3.13%. In 2020, the accounting discount rate changes from 3.13% to 2.45%.

**City of Highland
Required Supplementary Information
Year Ended June 30, 2021**

**Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Years***

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2020	0.04632%	\$ 5,040,141	\$ 2,858,967	176.29%	76.22%
2019	0.04593%	4,706,642	2,811,994	167.38%	76.48%
2018	0.04531%	4,366,668	2,668,338	163.65%	77.17%
2017	0.04585%	4,547,512	2,668,273	170.43%	74.87%
2016	0.04564%	3,949,652	2,518,215	148.02%	75.23%
2015	0.04548%	3,121,917	2,437,659	128.07%	78.40%
2014	0.04897%	3,047,168	2,426,611	125.57%	79.19%

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.

Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%.

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**City of Highland
Required Supplementary Information
Year Ended June 30, 2021**

**Schedule of Pension Plan Contributions
Last 10 Years***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 728,478	\$ (728,478)	\$ -	\$ 3,119,466	23.35%
2020	669,787	(669,787)	-	2,858,967	23.43%
2019	594,646	(594,646)	-	2,811,994	21.15%
2018	515,418	(515,418)	-	2,668,338	19.32%
2017	483,969	(483,969)	-	2,668,273	18.14%
2016	445,379	(445,379)	-	2,518,215	17.69%
2015	395,286	(395,286)	-	2,437,659	16.22%

*Fiscal year 2015 was the first year of implementation, therefore, 10 years of information are not yet available.

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016, 6/30/2017, 6/30/2018, 6/30/19

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City of Highland
Notes to Required Supplementary Information
Year Ended June 30, 2021

Budgetary Information

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

A two-year budget was adopted by City Council on June 11, 2019 for fiscal years 2019-20 and 2020-21. City Manager approval is required for budget revisions within a department and City Council approval is required for budget revisions that affect the total appropriations of a department. Every fund, except for the General Fund and Capital Improvement Capital Projects Fund, is considered a department. For each department, total expenditures may not legally exceed total appropriations. All annual appropriations lapse at fiscal year-end. Budgeted expenditure amounts represent original appropriations adjusted by \$6,721,440 for supplemental appropriations during the year ended June 30, 2021.

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

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SUPPLEMENTARY INFORMATION

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City of Highland
Budgetary Comparison Schedule
Budget and Actual - Capital Improvements
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment Income	\$ 160,000	\$ 26,480	\$ (133,520)
Miscellaneous	-	60,342	60,342
Total Revenues	160,000	86,822	(73,178)
EXPENDITURES:			
Current:			
Public Works	224,595	215,132	9,463
Capital Outlay	2,550,400	2,001,874	548,526
Total Expenditures	2,774,995	2,217,006	557,989
Excess (Deficiency) of Revenues over Expenditures	(2,614,995)	(2,130,184)	484,811
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,614,995)	(2,130,184)	484,811
Fund Balance, Beginning of Year	9,966,357	9,966,357	-
Fund Balance, End of Year	<u>\$ 7,351,362</u>	<u>\$ 7,836,173</u>	<u>\$ 484,811</u>

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City of Highland
Budgetary Comparison Schedule
Budget and Actual - Development Impact Fees
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ 150,000	\$ 1,180,675	\$ 1,030,675
Miscellaneous	125,000	-	(125,000)
Investment Income	-	39,029	39,029
	<u>275,000</u>	<u>1,219,704</u>	<u>944,704</u>
Total Revenues			
EXPENDITURES:			
Current:			
Public Works	20,000	78,362	(58,362)
Capital Outlay	1,304,500	990,351	314,149
	<u>1,324,500</u>	<u>1,068,713</u>	<u>255,787</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	(1,049,500)	150,991	1,200,491
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	-	469,081	469,081
	<u>-</u>	<u>469,081</u>	<u>469,081</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(1,049,500)	620,072	1,669,572
Fund Balance, Beginning of Year	7,030,016	7,030,016	-
Fund Balance, End of Year	<u>\$ 5,980,516</u>	<u>\$ 7,650,088</u>	<u>\$ 1,669,572</u>

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NON-MAJOR GOVERNMENTAL FUNDS

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City of Highland Non-major Governmental Funds

Special Revenue Funds

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

Measure I - In June 1990, the taxpayers voted for added taxes on gasoline to provide additional monies by approving a one-half cent sales tax increase. In 2004, the taxpayers voted to reauthorize this tax until 2040. These funds are kept locally for major road and transportation expenses and are disbursed to the City by the San Bernardino County Transportation Authority (SBCTA).

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

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

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

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

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

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

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

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

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

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

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

City of Highland Non-major Governmental Funds

Special Revenue Funds - Continued

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

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

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

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

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

Capital Projects Funds

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

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

Community Facilities District - The Greenspot Corridor (CFD 90-1) in the east end of the City has been placed into a CFD (Mello-Roos) to provide needed infrastructure, housing, and commercial retail growth to that area. Also to be provided are police and fire services. Tract 14326 (CFD 2001-1) is a residential Community Facilities District, as is Tract 17682 (CFD 2007-1).

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City of Highland
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2021

	Special Revenue					
	Measure I	Traffic Safety	Gas Tax	Article 3	CDBG	Developer Fees
ASSETS						
Cash and Investments	\$ 2,569,204	\$ 3,140	\$ 1,612,503	\$ -	\$ -	\$ 4,513,198
Receivables:						
Accounts	-	-	6,305	-	-	-
Interest	1,895	-	395	-	-	3,538
Property Taxes	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Due From Other Governments	255,212	1,482	198,946	74,566	710,678	-
Advance to Successor Agency	-	-	-	-	-	-
Total Assets	\$ 2,826,311	\$ 4,622	\$ 1,818,149	\$ 74,566	\$ 710,678	\$ 4,516,736
LIABILITIES						
Accounts Payable	\$ 60,622	\$ -	\$ 54,009	\$ 21,701	\$ 18,999	\$ 71,014
Accrued Liabilities	-	-	28,619	-	8,602	-
Retention Payable	764	-	-	-	32,051	3,223
Due to Other Funds	-	-	-	52,865	651,025	-
Total Liabilities	61,386	-	82,628	74,566	710,677	74,237
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	74,566	243,073	-
Total Deferred Inflows of Resources	-	-	-	74,566	243,073	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	2,764,925	4,622	1,735,521	-	-	4,442,499
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(74,566)	(243,072)	-
Total Fund Balances	2,764,925	4,622	1,735,521	(74,566)	(243,072)	4,442,499
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,826,311	\$ 4,622	\$ 1,818,149	\$ 74,566	\$ 710,678	\$ 4,516,736

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Special Revenue							
Landscape Maintenance District	Street Light District	Community Trails District	Parks Maintenance District	FEMA	AQMD	COPS	Street and Storm Drain Maintenance
\$ -	\$ -	\$ 30,003	\$ 195,883	\$ -	\$ 316,195	\$ -	\$ 531,829
-	186,056	-	-	-	-	-	-
-	-	-	85	-	247	-	365
4,530	3,700	137	967	-	-	-	166
-	-	-	-	-	-	-	-
-	-	-	-	-	18,368	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,530</u>	<u>\$ 189,756</u>	<u>\$ 30,140</u>	<u>\$ 196,935</u>	<u>\$ -</u>	<u>\$ 334,810</u>	<u>\$ -</u>	<u>\$ 532,360</u>
\$ 24,479	\$ 9,383	\$ 287	\$ 5,151	\$ -	\$ 3,860	\$ -	\$ 39
2,373	-	-	2,373	-	-	-	228
-	-	-	-	-	-	-	-
64,507	77,502	-	-	-	-	-	-
<u>91,359</u>	<u>86,885</u>	<u>287</u>	<u>7,524</u>	<u>-</u>	<u>3,860</u>	<u>-</u>	<u>267</u>
-	13,544	-	-	-	-	-	-
-	13,544	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	89,327	29,853	189,411	-	330,950	-	532,093
-	-	-	-	-	-	-	-
(86,829)	-	-	-	-	-	-	-
<u>(86,829)</u>	<u>89,327</u>	<u>29,853</u>	<u>189,411</u>	<u>-</u>	<u>330,950</u>	<u>-</u>	<u>532,093</u>
<u>\$ 4,530</u>	<u>\$ 189,756</u>	<u>\$ 30,140</u>	<u>\$ 196,935</u>	<u>\$ -</u>	<u>\$ 334,810</u>	<u>\$ -</u>	<u>\$ 532,360</u>

(Continued)

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City of Highland
Combining Balance Sheet
Non-major Governmental Funds (Continued)
June 30, 2021

	Special Revenue			Capital Projects		Total
	Justice Assistance Grant	Paramedic Department	Housing Authority	General Capital Financing	Community Facilities District	Non-major Governmental Funds
ASSETS						
Cash and Investments	\$ -	\$ 28,316	\$ 3,669,396	\$ 5,039,358	\$ -	\$ 18,509,025
Receivables:						
Accounts	-	-	-	49,538	9,025	250,924
Interest	-	-	2,897	3,204	-	12,626
Property Taxes	-	4,348	-	-	9,244	23,092
Loans	-	-	695,728	-	-	695,728
Due From Other Governments	15,759	181,750	-	-	-	1,456,761
Advance to Successor Agency	-	-	242,747	6,701	-	249,448
Total Assets	\$ 15,759	\$ 214,414	\$ 4,610,768	\$ 5,098,801	\$ 18,269	\$ 21,197,604
LIABILITIES						
Accounts Payable	\$ -	\$ 32,664	\$ 6,560	\$ 19,872	\$ 9,244	\$ 337,884
Accrued Liabilities	-	-	7,590	1,070	-	50,855
Retention Payable	-	-	-	3,893	-	39,931
Due to Other Funds	15,759	-	-	-	9,025	870,683
Total Liabilities	15,759	32,664	14,150	24,835	18,269	1,299,353
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	15,759	181,750	-	-	-	528,692
Total Deferred Inflows of Resources	15,759	181,750	-	-	-	528,692
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	4,596,618	-	-	14,715,819
Assigned	-	-	-	5,073,966	-	5,073,966
Unassigned	(15,759)	-	-	-	-	(420,226)
Total Fund Balances	(15,759)	-	4,596,618	5,073,966	-	19,369,559
Total Liabilities, Deferred Inflows and Fund Balances	\$ 15,759	\$ 214,414	\$ 4,610,768	\$ 5,098,801	\$ 18,269	\$ 21,197,604



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City of Highland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2021

	Special Revenue				
	Measure I	Traffic Safety	Gas Tax	Article 3	Developer Fees
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Intergovernmental	1,250,275	-	2,254,793	186,810	700,804
Charges for Services	-	-	-	-	117,656
Fines and Forfeitures	-	8,712	-	-	-
Investment Income	12,993	-	3,201	-	24,253
Rental Income	-	-	-	-	-
Miscellaneous	-	-	19,757	-	-
Total Revenues	1,263,268	8,712	2,277,751	186,810	700,804
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	4,090	-	-	-
Public Works	-	-	1,481,208	-	-
Community Development	-	-	-	-	294,281
Capital Outlay	710,765	-	215,981	133,701	641,029
Total Expenditures	710,765	4,090	1,697,189	133,701	935,310
Excess (Deficiency) of Revenues Over Expenditures	552,503	4,622	580,562	53,109	(234,506)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	-	-	-
Transfers In	-	-	145,023	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	145,023	-	-
Net Change in Fund Balances	552,503	4,622	725,585	53,109	(234,506)
Fund Balances, Beginning	2,212,422	-	1,009,936	(127,675)	(8,566)
Fund Balances, End of Year	\$ 2,764,925	\$ 4,622	\$ 1,735,521	\$ (74,566)	\$ (243,072)

Special Revenue							
Landscape Maintenance District	Street Light District	Community Trails District	Parks Maintenance District	FEMA	AQMD	COPS	Street and Storm Drain Maintenance
\$ 406,775	\$ 332,423	\$ 12,321	\$ 86,837	\$ -	\$ -	\$ -	\$ 40,435
-	-	-	-	-	-	-	-
-	-	-	-	-	72,240	156,893	-
-	-	-	-	-	-	-	-
-	-	-	583	-	1,691	-	2,499
-	-	-	-	-	-	-	-
-	217,239	-	-	-	-	-	-
406,775	549,662	12,321	87,420	-	73,931	156,893	42,934
-	-	-	-	-	-	-	-
-	-	-	-	-	-	156,893	-
493,604	460,335	3,417	104,267	-	59,275	-	10,238
-	-	-	-	-	-	-	-
-	-	-	-	-	190	-	-
493,604	460,335	3,417	104,267	-	59,465	156,893	10,238
(86,829)	89,327	8,904	(16,847)	-	14,466	-	32,696
-	-	-	-	-	-	-	-
-	-	-	41,706	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	41,706	-	-	-	-
(86,829)	89,327	8,904	24,859	-	14,466	-	32,696
-	-	20,949	164,552	-	316,484	-	499,397
\$ (86,829)	\$ 89,327	\$ 29,853	\$ 189,411	\$ -	\$ 330,950	\$ -	\$ 532,093

(Continued)

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City of Highland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds (Continued)
Year Ended June 30, 2021

	Special Revenue			Capital Projects		Total
	Justice Assistance Grant	Paramedic Department	Housing Authority	General Capital Financing	Community Facilities District	Non-major Governmental Funds
REVENUES						
Taxes	\$ -	\$ 365,480	\$ -	\$ -	\$ -	\$ 1,244,271
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	4,621,815
Charges for Services	-	-	-	126,203	-	243,859
Fines and Forfeitures	-	-	-	-	-	8,712
Investment Income	-	-	35,916	223,181	-	304,317
Rental Income	-	-	120,000	-	-	120,000
Miscellaneous	-	394	4,597	-	9,025	251,012
Total Revenues	-	365,874	160,513	349,384	9,025	6,793,986
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	15,759	1,464,964	-	-	-	1,641,706
Public Works	-	-	-	301,538	9,025	2,922,907
Community Development	-	-	182,596	-	-	476,877
Capital Outlay	-	-	-	61,609	-	1,872,037
Total Expenditures	15,759	1,464,964	182,596	363,147	9,025	6,913,527
Excess (Deficiency) of Revenues Over Expenditures	(15,759)	(1,099,090)	(22,083)	(13,763)	-	(119,541)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	-	-	-	402,000	-	402,000
Transfers In	-	1,099,090	-	295,000	-	1,580,819
Transfers Out	-	-	-	(713,231)	-	(713,231)
Total Other Financing Sources (Uses)	-	1,099,090	-	(16,231)	-	1,269,588
Net Change in Fund Balances	(15,759)	-	(22,083)	(29,994)	-	1,150,047
Fund Balances, Beginning	-	-	4,618,701	5,103,960	-	18,219,512
Fund Balances, End of Year	\$ (15,759)	\$ -	\$ 4,596,618	\$ 5,073,966	\$ -	\$ 19,369,559

City of Highland
Budgetary Comparison Schedule
Measure I - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,292,000	\$ 1,250,275	\$ (41,725)
Investment Income	150,000	12,993	(137,007)
Total Revenues	<u>1,442,000</u>	<u>1,263,268</u>	<u>(178,732)</u>
EXPENDITURES:			
Current:			
Public Works	-	-	-
Capital Outlay	2,734,000	710,765	2,023,235
Total Expenditures	<u>2,734,000</u>	<u>710,765</u>	<u>2,023,235</u>
Excess (Deficiency) of Revenues over Expenditures	(1,292,000)	552,503	1,844,503
Fund Balance, Beginning of Year	<u>2,212,422</u>	<u>2,212,422</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 920,422</u></u>	<u><u>\$ 2,764,925</u></u>	<u><u>\$ 1,844,503</u></u>

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City of Highland
Budgetary Comparison Schedule
Traffic Safety - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Fines and Forfeitures	\$ 49,000	\$ 8,712	\$ (40,288)
Investment Income	-	-	-
	<u>49,000</u>	<u>8,712</u>	<u>(40,288)</u>
Total Revenues	<u>49,000</u>	<u>8,712</u>	<u>(40,288)</u>
EXPENDITURES:			
Current:			
Public Safety	49,000	4,090	44,910
Capital Outlay	-	-	-
	<u>49,000</u>	<u>4,090</u>	<u>44,910</u>
Total Expenditures	<u>49,000</u>	<u>4,090</u>	<u>44,910</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>4,622</u>	<u>4,622</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	4,622	4,622
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 4,622</u>	<u>\$ 4,622</u>

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**City of Highland
Budgetary Comparison Schedule
Gas Tax - Special Revenue Fund
Year Ended June 30, 2021**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 2,439,590	\$ 2,254,793	\$ (184,797)
Investment Income	2,000	3,201	1,201
Miscellaneous	5,000	19,757	14,757
	<u>2,446,590</u>	<u>2,277,751</u>	<u>(168,839)</u>
Total Revenues			
EXPENDITURES:			
Current:			
Public Works	1,469,600	1,481,208	(11,608)
Capital Outlay	866,000	215,981	650,019
	<u>2,335,600</u>	<u>1,697,189</u>	<u>638,411</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>110,990</u>	<u>580,562</u>	<u>469,572</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>145,025</u>	<u>145,023</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>145,025</u>	<u>145,023</u>	<u>(2)</u>
Net Change in Fund Balances	256,015	725,585	469,570
Fund Balance, Beginning of Year	<u>1,009,936</u>	<u>1,009,936</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,265,951</u></u>	<u><u>\$ 1,735,521</u></u>	<u><u>\$ 469,570</u></u>

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City of Highland
Budgetary Comparison Schedule
Article 3 - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 283,000	\$ 186,810	\$ (96,190)
Total Revenues	<u>283,000</u>	<u>186,810</u>	<u>(96,190)</u>
EXPENDITURES:			
Capital Outlay	<u>283,000</u>	<u>133,701</u>	<u>149,299</u>
Total Expenditures	<u>283,000</u>	<u>133,701</u>	<u>149,299</u>
Excess (Deficiency) of Revenues over Expenditures	-	53,109	53,109
Fund Balance, Beginning of Year	<u>(127,675)</u>	<u>(127,675)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (127,675)</u></u>	<u><u>\$ (74,566)</u></u>	<u><u>\$ 53,109</u></u>

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City of Highland
Budgetary Comparison Schedule
CDBG - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,030,360	\$ 700,804	\$ (329,556)
Total Revenues	<u>1,030,360</u>	<u>700,804</u>	<u>(329,556)</u>
EXPENDITURES:			
Current:			
Community Development	388,360	294,281	94,079
Capital Outlay	<u>642,000</u>	<u>641,029</u>	<u>971</u>
Total Expenditures	<u>1,030,360</u>	<u>935,310</u>	<u>95,050</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(234,506)</u>	<u>(234,506)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(234,506)	(234,506)
Fund Balance, Beginning of Year	<u>(8,566)</u>	<u>(8,566)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (8,566)</u></u>	<u><u>\$ (243,072)</u></u>	<u><u>\$ (234,506)</u></u>

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City of Highland
Budgetary Comparison Schedule
Developer Fees - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ 10,000	\$ 117,656	\$ 107,656
Investment Income	80,000	24,253	(55,747)
Total Revenues	<u>90,000</u>	<u>141,909</u>	<u>51,909</u>
EXPENDITURES:			
Current:			
Public Works	28,635	-	28,635
Capital Outlay	<u>111,710</u>	<u>108,762</u>	<u>2,948</u>
Total Expenditures	<u>140,345</u>	<u>108,762</u>	<u>31,583</u>
Excess (Deficiency) of Revenues over Expenditures	(50,345)	33,147	83,492
Fund Balance, Beginning of Year	<u>4,409,352</u>	<u>4,409,352</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,359,007</u></u>	<u><u>\$ 4,442,499</u></u>	<u><u>\$ 83,492</u></u>

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City of Highland
Budgetary Comparison Schedule
Landscape Maintenance District - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 365,000	\$ 406,775	\$ 41,775
Total Revenues	<u>365,000</u>	<u>406,775</u>	<u>41,775</u>
EXPENDITURES:			
Current:			
Public Works	<u>498,375</u>	<u>493,604</u>	<u>4,771</u>
Total Expenditures	<u>498,375</u>	<u>493,604</u>	<u>4,771</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(133,375)</u>	<u>(86,829)</u>	<u>46,546</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(133,375)	(86,829)	46,546
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (133,375)</u></u>	<u><u>\$ (86,829)</u></u>	<u><u>\$ 46,546</u></u>

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City of Highland
Budgetary Comparison Schedule
Street Light District - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 345,000	\$ 332,423	\$ (12,577)
Miscellaneous	13,800	217,239	203,439
Total Revenues	<u>358,800</u>	<u>549,662</u>	<u>190,862</u>
EXPENDITURES:			
Current:			
Public Works	<u>466,670</u>	<u>460,335</u>	<u>6,335</u>
Total Expenditures	<u>466,670</u>	<u>460,335</u>	<u>6,335</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(107,870)</u>	<u>89,327</u>	<u>197,197</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>17,270</u>	<u>-</u>	<u>(17,270)</u>
Total Other Financing Sources (Uses)	<u>17,270</u>	<u>-</u>	<u>(17,270)</u>
Net Change in Fund Balances	(90,600)	89,327	179,927
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (90,600)</u></u>	<u><u>\$ 89,327</u></u>	<u><u>\$ 179,927</u></u>

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City of Highland
Budgetary Comparison Schedule
Community Trails - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 10,700	\$ 12,321	\$ 1,621
Total Revenues	<u>10,700</u>	<u>12,321</u>	<u>1,621</u>
EXPENDITURES:			
Current:			
Public Works	<u>26,600</u>	<u>3,417</u>	<u>23,183</u>
Total Expenditures	<u>26,600</u>	<u>3,417</u>	<u>23,183</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(15,900)</u>	<u>8,904</u>	<u>24,804</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>15,910</u>	<u>-</u>	<u>(15,910)</u>
Total Other Financing Sources (Uses)	<u>15,910</u>	<u>-</u>	<u>(15,910)</u>
Net Change in Fund Balances	10	8,904	8,894
Fund Balance, Beginning of Year	<u>20,949</u>	<u>20,949</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 20,959</u></u>	<u><u>\$ 29,853</u></u>	<u><u>\$ 8,894</u></u>

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City of Highland
Budgetary Comparison Schedule
Parks Maintenance District - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 77,000	\$ 86,837	\$ 9,837
Investment Income	1,500	583	(917)
Total Revenues	<u>78,500</u>	<u>87,420</u>	<u>8,920</u>
EXPENDITURES:			
Current:			
Public Works	<u>128,165</u>	<u>104,267</u>	<u>23,898</u>
Total Expenditures	<u>128,165</u>	<u>104,267</u>	<u>23,898</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(49,665)</u>	<u>(16,847)</u>	<u>32,818</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>51,270</u>	<u>41,706</u>	<u>(9,564)</u>
Total Other Financing Sources (Uses)	<u>51,270</u>	<u>41,706</u>	<u>(9,564)</u>
Net Change in Fund Balances	1,605	24,859	23,254
Fund Balance, Beginning of Year	<u>164,552</u>	<u>164,552</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 166,157</u></u>	<u><u>\$ 189,411</u></u>	<u><u>\$ 23,254</u></u>

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City of Highland
Budgetary Comparison Schedule
AQMD - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 70,000	\$ 72,240	\$ 2,240
Investment Income	4,000	1,691	(2,309)
Total Revenues	<u>74,000</u>	<u>73,931</u>	<u>(69)</u>
EXPENDITURES:			
Current			
Public Works	39,440	59,275	(19,835)
Capital Outlay	<u>41,000</u>	<u>190</u>	<u>40,810</u>
Total Expenditures	<u>80,440</u>	<u>59,465</u>	<u>20,975</u>
Excess (Deficiency) of Revenues over Expenditures	(6,440)	14,466	20,906
Fund Balance, Beginning of Year	<u>316,484</u>	<u>316,484</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 310,044</u></u>	<u><u>\$ 330,950</u></u>	<u><u>\$ 20,906</u></u>

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City of Highland
Budgetary Comparison Schedule
COPS - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 156,895	\$ 156,893	\$ (2)
Total Revenues	<u>156,895</u>	<u>156,893</u>	<u>(2)</u>
EXPENDITURES			
Current:			
Public Safety	<u>156,895</u>	<u>156,893</u>	<u>2</u>
Total Expenditures	<u>156,895</u>	<u>156,893</u>	<u>2</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>

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City of Highland
Budgetary Comparison Schedule
Street and Storm Drain Maintenance - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 37,000	\$ 40,435	\$ 3,435
Investment Income	9,600	2,499	(7,101)
Total Revenues	<u>46,600</u>	<u>42,934</u>	<u>(3,666)</u>
EXPENDITURES:			
Current:			
Public Works	<u>34,485</u>	<u>10,238</u>	<u>24,247</u>
Total Expenditures	<u>34,485</u>	<u>10,238</u>	<u>24,247</u>
Excess (Deficiency) of Revenues over Expenditures	12,115	32,696	20,581
Fund Balance, Beginning of Year	<u>499,397</u>	<u>499,397</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 511,512</u></u>	<u><u>\$ 532,093</u></u>	<u><u>\$ 20,581</u></u>

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City of Highland
Budgetary Comparison Schedule
Justice Assistance Grant - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 20,000	\$ -	\$ (20,000)
Total Revenues	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
EXPENDITURES:			
Current:			
Public Safety	20,000	15,759	4,241
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>20,000</u>	<u>15,759</u>	<u>4,241</u>
Excess (Deficiency) of Revenues over Expenditures	-	(15,759)	(15,759)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ (15,759)</u></u>	<u><u>\$ (15,759)</u></u>

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City of Highland
Budgetary Comparison Schedule
Paramedic Department - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 360,000	\$ 365,480	\$ 5,480
Miscellaneous	-	394	394
Total Revenues	<u>360,000</u>	<u>365,874</u>	<u>5,874</u>
EXPENDITURES:			
Current:			
Public Safety	2,087,095	1,464,964	622,131
Capital Outlay	-	-	-
Total Expenditures	<u>2,087,095</u>	<u>1,464,964</u>	<u>622,131</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,727,095)</u>	<u>(1,099,090)</u>	<u>628,005</u>
OTHER FINANCING SOURCES:			
Transfers In	1,707,265	1,099,090	(608,175)
Total Other Financing Sources (Uses)	<u>1,707,265</u>	<u>1,099,090</u>	<u>(608,175)</u>
Net Change in Fund Balance	(19,830)	-	19,830
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u>\$ (19,830)</u>	<u>\$ -</u>	<u>\$ 19,830</u>

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City of Highland
Budgetary Comparison Schedule
Housing Authority - Special Revenue Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment Income	\$ 80,000	\$ 35,916	\$ (44,084)
Rental Income	120,000	120,000	-
Miscellaneous	4,500	4,597	97
	<u>204,500</u>	<u>160,513</u>	<u>(43,987)</u>
EXPENDITURES:			
Current:			
Community Development	211,580	182,596	28,984
	<u>211,580</u>	<u>182,596</u>	<u>28,984</u>
Excess (Deficiency) of Revenues over Expenditures	(7,080)	(22,083)	(15,003)
Fund Balance, Beginning of Year (Restated)	4,618,701	4,618,701	-
Fund Balance, End of Year	<u>\$ 4,611,621</u>	<u>\$ 4,596,618</u>	<u>\$ (15,003)</u>

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**City of Highland
Budgetary Comparison Schedule
General Capital Financing - Capital Projects Fund
Year Ended June 30, 2021**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ 100,000	\$ 126,203	\$ 26,203
Investment Income	165,000	223,181	58,181
Miscellaneous	5,000	-	(5,000)
	<u>270,000</u>	<u>349,384</u>	<u>79,384</u>
EXPENDITURES:			
Current:			
Public Works	350,620	301,538	49,082
Capital Outlay	432,280	61,609	370,671
	<u>782,900</u>	<u>363,147</u>	<u>419,753</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(512,900)</u>	<u>(13,763)</u>	<u>499,137</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	402,000	402,000
Transfers In	295,000	295,000	-
Transfers Out	(746,415)	(713,231)	33,184
	<u>(451,415)</u>	<u>(16,231)</u>	<u>435,184</u>
Net Change in Fund Balance	(964,315)	(29,994)	934,321
Fund Balance, Beginning of Year (Restated)	<u>5,103,960</u>	<u>5,103,960</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,139,645</u></u>	<u><u>\$ 5,073,966</u></u>	<u><u>\$ 934,321</u></u>

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City of Highland
Budgetary Comparison Schedule
Community Facilities District - Capital Projects Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Miscellaneous	\$ 10,100	\$ 9,025	\$ (1,075)
Total Revenues	10,100	9,025	(1,075)
EXPENDITURES:			
Current:			
Public Works	10,100	9,025	1,075
Total Expenditures	10,100	9,025	1,075
Excess (Deficiency) of Revenues over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

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City of Highland Internal Service Funds

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

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

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

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City of Highland
Combining Statement of Net Position
Internal Service Funds
June 30, 2021

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
ASSETS			
Current:			
Cash and Investments	\$ 3,682,242	\$ 1,070,349	\$ 4,752,591
Receivable:			
Accounts	2,064	197	2,261
Interest	2,990	707	3,697
Total Assets	3,687,296	1,071,253	4,758,549
LIABILITIES			
Current:			
Accounts Payable	22,484	9,918	32,402
Accrued Liabilities	5,210	3,746	8,956
Claims Payable	500	-	500
Total Current Liabilities	28,194	13,664	41,858
Noncurrent:			
Claims Payable	148,549	-	148,549
Total Noncurrent Liabilities	148,549	-	148,549
Total Liabilities	176,743	13,664	190,407
NET POSITION			
Unrestricted	3,510,553	1,057,589	4,568,142
Total Net Position	\$ 3,510,553	\$ 1,057,589	\$ 4,568,142

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City of Highland
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2021

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
OPERATING REVENUES			
Charges for Services	\$ 624,799	\$ 38,105	\$ 662,904
Miscellaneous	171,808	125,752	297,560
Total Operating Revenues	796,607	163,857	960,464
OPERATING EXPENSES			
Salaries and Benefits	121,082	-	121,082
Insurance Premiums	405,704	-	405,704
Claims and Judgments	-	-	-
Legal Fees	290,317	-	290,317
Administrative Expenses	2	463,208	463,210
Insurance Adjusting Fees	-	-	-
Total Operating Expenses	817,105	463,208	1,280,313
Operating Income (Loss)	(20,498)	(299,351)	(319,849)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	20,498	4,843	25,341
Income before Contributions and Transfers			
Transfers in	-	499,104	499,104
Change in Net Position	-	204,596	204,596
Net Position, Beginning of Year	3,510,553	852,993	4,363,546
Net Position, End of Year	\$ 3,510,553	\$ 1,057,589	\$ 4,568,142

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City of Highland
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Services	\$ 813,338	\$ 163,767	\$ 977,105
Cash Payments to Employees for Services	(120,547)	(74,125)	(194,672)
Cash Payments Made to Suppliers/Vendors	(700,530)	(393,008)	(1,093,538)
Net Cash Provided (Used) By Operations	(7,739)	(303,366)	(311,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from Other Funds	-	499,104	499,104
Net Cash Provided (Used) By NonCapital Financing Activities	-	499,104	499,104
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	31,750	7,892	39,642
Net Cash Provided (Used) By Investing Activities	31,750	7,892	39,642
Net Increase (Decrease) in Cash and Cash Equivalents	24,011	203,630	227,641
Cash and Equivalents - Beginning of Year	3,658,231	866,719	4,524,950
Cash and Equivalents - End of Year	<u>\$ 3,682,242</u>	<u>\$ 1,070,349</u>	<u>\$ 4,752,591</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (20,498)	\$ (299,351)	\$ (319,849)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Accounts Receivable	16,731	(90)	16,641
Increase (Decrease) in Accounts Payable	(117)	(4,351)	(4,468)
Increase (Decrease) in Accrued Liabilities	535	426	961
Increase (Decrease) in Claims Payable	(4,390)	-	(4,390)
Net Cash Provided (Used) by Operating Activities	<u>\$ (7,739)</u>	<u>\$ (303,366)</u>	<u>\$ (311,105)</u>

STATISTICAL SECTION

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STATISTICAL SECTION

This section of the City of Highland's annual comprehensive 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	116 – 119
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	120 – 123
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	124 – 127
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	129 – 130
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	131 – 132
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

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

	<u>Fiscal Year</u>				
	2021	2020	2019	2018	2017
Governmental activities:					
Investment in capital assets	225,865,157	227,112,025	221,003,257	214,466,575	216,035,504
Restricted for:					
Public safety	4,622	-	-	26,836	87,188
Highways and streets	36,238,519	38,678,179	42,249,331	41,447,249	30,801,998
Community Development	5,437,302	5,303,599	5,186,442	5,060,289	4,386,881
Unrestricted	19,744,041	18,903,986	21,353,346	24,874,004	28,349,878
Total governmental activities net position	<u>\$287,289,641</u>	<u>\$289,997,789</u>	<u>\$289,792,376</u>	<u>\$285,874,953</u>	<u>\$279,661,449</u>
	2016	2015	2014	2013	2012
Governmental activities:					
Investment in capital assets	210,865,837	216,726,391	209,133,022	197,080,972	190,924,669
Restricted for:					
Public safety	10,181,809	10,811,124	11,383,704	10,442,756	10,103,434
Highways and streets	35,846,032	24,126,132	22,951,998	17,078,055	18,279,286
Community Development	4,339,917	1,392,208	1,343,835	1,245,335	717,363
Unrestricted	16,375,043	9,320,447	11,098,575	23,319,965	24,720,516
Total governmental activities net position	<u>\$277,608,638</u>	<u>\$262,376,302</u>	<u>\$255,911,134</u>	<u>\$249,167,083</u>	<u>\$244,745,268</u>

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

Fiscal Year

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Governmental activities:										
General government	2,970,378	2,667,209	2,391,929	2,152,914	1,988,317	8,026,419	6,693,784	7,288,603	7,992,150	7,223,527
Public safety	17,233,793	16,849,924	15,621,202	14,542,332	14,411,209	12,958,169	12,331,238	11,800,508	10,858,918	10,427,656
Highways and streets	13,951,011	10,727,700	10,608,389	9,797,412	10,392,619	10,618,305	12,304,340	13,352,100	5,461,910	8,701,612
Community Development	3,610,883	3,254,385	3,424,262	3,473,178	2,471,487	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	1,684,540
Total governmental activities expenses	<u>37,766,065</u>	<u>33,499,218</u>	<u>32,045,782</u>	<u>29,965,836</u>	<u>29,263,632</u>	<u>31,602,893</u>	<u>31,329,362</u>	<u>32,441,211</u>	<u>24,312,978</u>	<u>28,037,335</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	362,563	242,669	338,758	761,641	726,087	1,583,415	1,080,488	1,037,804	939,407	997,356
Public safety	1,307,179	1,248,384	1,284,504	1,279,121	1,266,079	3,679,629	3,517,820	3,785,784	3,565,197	3,596,580
Highways and streets	2,194,101	1,930,553	1,748,406	2,688,276	2,809,938	1,020,765	886,907	949,736	967,367	817,326
Community Development	1,234,314	1,183,807	1,300,273	1,721,294	1,574,576	-	-	-	-	-
Operating grants and contributions	3,909,827	3,097,787	3,305,218	3,206,718	2,204,994	9,032,776	4,464,421	7,901,021	2,346,472	3,975,957
Capital grants and contributions	4,994,406	4,730,717	8,345,767	8,344,599	4,618,091	1,054,688	11,931,594	17,151,933	7,866,306	5,771,257
Total governmental activities program revenues	<u>14,002,390</u>	<u>12,433,917</u>	<u>16,322,926</u>	<u>18,001,649</u>	<u>13,199,765</u>	<u>16,371,273</u>	<u>21,881,230</u>	<u>30,826,278</u>	<u>15,684,749</u>	<u>15,158,476</u>
Net revenues (expenses) governmental activities	<u>(23,763,675)</u>	<u>(21,065,301)</u>	<u>(15,722,856)</u>	<u>(11,964,186)</u>	<u>(16,063,867)</u>	<u>(15,231,620)</u>	<u>(9,448,132)</u>	<u>(1,614,933)</u>	<u>(8,628,229)</u>	<u>(12,878,859)</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	14,517,673	14,021,888	13,389,467	13,036,416	11,809,133	8,456,523	8,568,219	8,188,274	7,528,512	8,030,404
Sales and use taxes	3,714,315	3,076,668	2,918,109	2,702,065	2,632,596	2,224,734	1,682,344	1,639,446	1,643,959	1,612,077
Transient occupancy tax	271,603	264,958	266,893	179,088	302,330	274,410	264,628	249,722	228,490	204,296
Franchise taxes	1,825,256	1,615,213	1,587,002	1,502,402	1,535,420	1,587,761	1,561,126	1,500,203	1,471,668	1,482,418
Business license tax	491,867	536,749	497,286	558,270	173,025	263,489	344,282	253,690	232,909	243,218
Other	40,576	44,146	26,286	28,623	24,032	14,459	14,362	47,160	57,684	83,100
Gain on Sale of Capital Assets	356,150	-	-	-	-	-	-	-	-	-
Investment income	133,727	436,821	522,967	315,496	317,167	104,983	987,829	48,567	58,651	117,613
State motor vehicle in lieu, unrestricted	-	-	-	-	-	-	-	-	3,764,950	3,750,346
Rental income	-	-	-	-	-	-	-	-	120,601	168,109
Land contribution from the Successor Agency	-	-	-	-	-	-	-	-	1,645,592	-
Miscellaneous	188,643	189,052	432,269	140,458	133,812	991,825	1,403,154	1,004,511	463,553	94,458
Total governmental activities	<u>21,539,810</u>	<u>20,185,495</u>	<u>19,640,279</u>	<u>18,462,818</u>	<u>16,927,515</u>	<u>13,918,184</u>	<u>14,825,944</u>	<u>12,931,573</u>	<u>17,216,569</u>	<u>15,786,039</u>
Changes in net position governmental activities	<u>\$ (2,223,865)</u>	<u>\$ (879,806)</u>	<u>\$ 3,917,423</u>	<u>\$ 6,498,632</u>	<u>\$ 863,648</u>	<u>\$ (1,313,436)</u>	<u>\$ 5,377,812</u>	<u>\$ 11,316,640</u>	<u>\$ 8,588,340</u>	<u>\$ 2,907,180</u>
Extraordinary item: Loss on transfer	-	-	-	-	-	-	-	-	-	(880,571.00)
Restatement of Land	-	-	-	-	-	-	-	-	(1,998,141)	-
Restatement of Net Position	(484,283)	-	-	(285,128)	1,189,163	-	-	-	-	-
Extraordinary item: Repayment of Advance	-	-	-	-	-	-	-	(946,087)	(2,168,384)	-
Extraordinary item: Bond Proceeds (former RDA)	-	-	-	-	-	16,545,772	-	-	-	-
Implementation of GASB 68 & 71	-	-	-	-	-	-	-	(3,513,889)	-	-
Restatement of Depreciation	-	-	-	-	-	-	-	(3,859,190)	-	-
Restatement of Capital Assets (note 16)	-	-	-	-	-	-	1,087,356	3,746,577	-	-
Changes in net position governmental activities	<u>\$ (2,708,148)</u>	<u>\$ (879,806)</u>	<u>\$ 3,917,423</u>	<u>\$ 6,213,504</u>	<u>\$ 2,052,811</u>	<u>\$ 15,232,336</u>	<u>\$ 6,465,168</u>	<u>\$ 6,744,051</u>	<u>\$ 4,421,815</u>	<u>\$ 2,026,609</u>

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund:										
Nonspendable	974,619	978,226	977,829	999,339	990,099	1,061,528	1,178,728	1,390,548	1,051,857	11,679
Spendable:										
Restricted:	-	-	-	-	-	-	-	-	-	-
Assigned	11,680,011	9,840,573	9,872,519	10,070,945	9,293,748	5,004,971	5,201,502	5,079,911	4,623,896	5,921,333
Unassigned	3,265,164	3,057,435	3,020,491	3,178,858	3,198,945	1,108,361	2,102,381	2,008,776	2,899,604	4,067,019
Total general fund	<u>\$15,919,794</u>	<u>\$13,876,234</u>	<u>\$13,870,839</u>	<u>\$14,249,142</u>	<u>\$13,482,792</u>	<u>\$ 7,174,860</u>	<u>\$ 8,482,611</u>	<u>\$ 8,479,235</u>	<u>\$ 8,575,357</u>	<u>\$10,000,031</u>
All other governmental funds:										
Nonspendable:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	1,362,235	1,425,413	1,425,413	-	-	-
Restricted:										
Special revenue funds	26,194,182	26,985,405	28,126,206	27,407,827	27,734,045	35,540,081	25,662,859	27,064,666	28,827,731	28,593,540
Capital projects funds	15,486,261	16,996,373	19,309,569	19,148,448	11,147,755	13,094,825	23,432	58,771	480,000	58,771
Committed:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Assigned:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	5,073,966	5,103,960	6,006,439	7,884,827	6,792,406	7,330,504	8,462,764	9,104,185	9,363,023	8,473,641
Unassigned:										
Special revenue funds	(694,177)	(411,719)	(746,061)	(943,910)	(882,715)	(525,490)	(9,580,909)	(7,302,032)	(2,268,023)	(4,526,334)
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$46,060,232</u>	<u>\$48,674,019</u>	<u>\$52,696,153</u>	<u>\$53,497,192</u>	<u>\$46,153,726</u>	<u>\$56,865,333</u>	<u>\$25,993,559</u>	<u>\$28,925,590</u>	<u>\$36,402,731</u>	<u>\$32,599,618</u>

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

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Taxes	21,885,819	20,541,202	19,710,927	19,013,261	17,458,633	16,070,934	15,456,880	14,869,000	17,767,254	19,193,722
Licenses and permits	618,458	509,501	537,720	855,744	705,796	684,186	561,943	582,506	563,573	557,681
Intergovernmental	8,182,201	8,913,837	12,454,853	10,929,304	4,517,927	19,025,112	6,584,075	9,674,444	11,720,399	6,553,498
Charges for services	2,697,541	2,287,702	2,346,284	3,914,972	4,155,849	1,999,287	1,568,001	1,963,528	2,915,688	2,033,575
Fines and forfeitures	80,226	99,604	73,838	116,380	139,888	182,037	237,306	457,300	323,327	284,958
Investment income	454,062	1,184,670	1,482,102	824,331	633,959	217,790	1,027,138	89,532	114,292	205,050
Rental income	244,930	239,890	227,190	226,068	219,926	120,691	121,961	122,441	120,601	168,109
Miscellaneous	374,675	87,465	398,788	320,619	195,598	671,337	1,293,862	870,354	616,841	102,169
Total revenues	<u>34,537,912</u>	<u>33,863,871</u>	<u>37,231,702</u>	<u>36,200,679</u>	<u>28,027,576</u>	<u>38,971,374</u>	<u>26,851,166</u>	<u>28,629,105</u>	<u>34,141,975</u>	<u>29,098,762</u>
Expenditures:										
Current:										
General government+	2,140,731	1,904,692	2,097,547	1,724,479	1,736,158	8,036,914	6,230,511	6,147,009	6,058,525	6,661,740
Highways and streets+	5,056,624	5,441,043	4,886,690	4,716,911	5,481,471	2,729,393	3,234,358	3,727,336	4,817,853	3,795,364
Public safety+	16,570,676	16,164,583	14,931,777	13,913,656	13,238,605	12,408,648	11,793,948	11,313,648	10,434,120	9,952,158
Community Development+	2,903,259	2,454,195	2,558,426	2,499,347	2,471,487	-	-	-	-	-
Capital outlay	8,808,826	11,916,097	13,936,604	5,236,471	10,199,258	2,778,168	8,521,004	14,068,287	8,284,654	9,284,164
Debt service:										
Principal*	-	-	-	-	-	-	-	-	-	1,170,000
Interest*	-	-	-	-	-	-	-	-	-	1,405,454
Pass-through payments*	-	-	-	-	-	-	-	-	-	828,396
SERAF Payment*	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent*	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>35,480,116</u>	<u>37,880,610</u>	<u>38,411,044</u>	<u>28,090,863</u>	<u>33,126,979</u>	<u>25,953,123</u>	<u>29,779,821</u>	<u>35,256,280</u>	<u>29,595,152</u>	<u>33,097,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(942,204)</u>	<u>(4,016,739)</u>	<u>(1,179,342)</u>	<u>8,109,816</u>	<u>(5,099,403)</u>	<u>13,018,251</u>	<u>(2,928,655)</u>	<u>(6,627,175)</u>	<u>4,546,823</u>	<u>(3,998,514)</u>
Other financing sources (uses):										
Sale of Capital Assets	402,000	-	-	-	-	-	-	-	-	-
Issuance of long term debt	469,081	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	1,864,923	1,919,422	2,995,704	2,191,020	2,017,731	3,448,326	3,522,188	708,567	6,426,146	3,535,100
Transfers out	<u>(2,364,027)</u>	<u>(1,919,422)</u>	<u>(2,995,704)</u>	<u>(2,191,020)</u>	<u>(2,017,731)</u>	<u>(3,448,326)</u>	<u>(3,522,188)</u>	<u>(708,567)</u>	<u>(6,426,146)</u>	<u>(3,535,100)</u>
Total other financing sources (uses)	<u>371,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary Item	-	-	-	-	-	-	-	(946,087)	(2,168,384)	(55,543,582)
Net change in fund balances	<u>\$ (570,227)</u>	<u>\$ (4,016,739)</u>	<u>\$ (1,179,342)</u>	<u>\$ 8,109,816</u>	<u>\$ (5,099,403)</u>	<u>\$ 13,018,251</u>	<u>\$ (2,928,655)</u>	<u>\$ (7,573,262)</u>	<u>\$ 2,378,439</u>	<u>\$ (59,542,096)</u>

Debt service* as a percentage of noncapital + expenditure 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 16.7%

Debt service is for the former RDA.

The RDA was dissolved on February 1, 2012.

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

Assessed Value					
Category	2021	2020	2019	2018	2017
Residential	3,559,231,681	3,421,547,404	3,235,632,104	3,058,458,940	2,906,523,051
Commercial	260,893,974	262,495,563	232,261,059	221,613,336	210,815,100
Industrial	57,592,686	52,476,393	51,299,293	48,639,494	48,108,184
Irrigated	438,128	680,270	666,931	655,502	642,650
Dry Farm	-	-	-	129,918	127,371
Recreational	2,013,113	2,010,581	1,327,099	1,324,666	1,322,280
Institutional	31,067,831	30,851,503	30,051,724	28,952,472	28,702,907
Miscellaneous	13,595,907	13,035,651	9,917,709	9,841,856	9,906,629
Vacant Land	89,904,034	91,922,879	88,609,668	88,183,693	82,278,983
SBE Nonunitary	37,800	37,800	18,900	18,900	18,900
Unsecured	75,228,717	68,665,836	61,381,977	56,298,251	58,764,229
Govt. Owned	24,000,000	-	-	-	-
Unknown	-	-	-	-	-
Exemptions	<u>(111,624,080)</u>	<u>(97,885,315)</u>	<u>(82,876,255)</u>	<u>(79,270,623)</u>	<u>(73,367,998)</u>
Total	<u>4,002,379,791</u>	<u>3,845,838,565</u>	<u>3,628,290,209</u>	<u>3,434,846,405</u>	<u>3,273,842,286</u>
Total direct rate	0.23897	0.23897	0.23904	0.23904	0.23903

Category	2016	2015	2014	2013	2012
Residential	2,773,541,762	2,609,720,470	2,447,887,756	2,360,240,430	2,340,010,673
Commercial	198,338,374	196,409,096	194,061,982	190,385,491	197,340,618
Industrial	46,948,732	42,808,510	42,408,595	39,608,573	38,257,586
Irrigated	632,998	794,784	791,192	1,023,979	1,003,899
Dry Farm	200,535	196,606	195,718	191,880	188,118
Recreational	1,519,489	2,391,470	2,390,411	2,243,540	2,416,706
Institutional	28,271,761	27,748,091	27,588,682	27,124,221	27,049,010
Miscellaneous	9,556,408	11,796,187	12,959,361	13,574,718	13,405,863
Vacant Land	76,496,990	75,088,677	74,106,442	77,808,833	81,515,351
SBE Nonunitary	18,900	18,900	31,500	31,500	31,500
Unsecured	62,288,201	61,175,324	62,341,169	63,946,028	63,630,188
Unknown	-	-	-	1,285,846	866,876
Exemptions	<u>(72,450,406)</u>	<u>(61,581,215)</u>	<u>(60,509,158)</u>	<u>(57,924,892)</u>	<u>(56,024,399)</u>
Total	<u>3,125,363,744</u>	<u>2,966,566,900</u>	<u>2,804,253,650</u>	<u>2,719,540,147</u>	<u>2,709,691,989</u>
Total direct rate	0.23904	0.23898	0.23897	0.47862	0.48340

NOTE:

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

Source: HdL

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

	2021	2020	2019	2018	2017	2016	2015	2014
City Direct Rate:								
<u>Property Tax General Fund</u>								
Assessed value of City basic rate	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>
Total City Direct Rate	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>	<u>\$ 0.24400</u>
Overlapping Rates:								
County Free Library	\$ 0.01344	\$ 0.01344	\$ 0.01344	\$ 0.01344	\$ 0.01344	\$ 0.01344	\$ 0.01344	\$ 0.01344
County General Fund	\$ 0.13880	\$ 0.13880	\$ 0.13880	\$ 0.13880	\$ 0.13880	\$ 0.13880	\$ 0.13880	\$ 0.13880
County Superintendent	\$ 0.00712	\$ 0.00712	\$ 0.00712	\$ 0.00712	\$ 0.00712	\$ 0.00712	\$ 0.00712	\$ 0.00712
Inland Empire Joint Resource Conservation District	\$ 0.00049	\$ 0.00049	\$ 0.00049	\$ 0.00049	\$ 0.00049	\$ 0.00049	\$ 0.00049	\$ 0.00049
Education Revenue Augmentation Fund	\$ 0.21010	\$ 0.21010	\$ 0.21010	\$ 0.21010	\$ 0.21010	\$ 0.21010	\$ 0.21010	\$ 0.21010
Flood Control Administration 3-6	\$ 0.00080	\$ 0.00080	\$ 0.00080	\$ 0.00080	\$ 0.00080	\$ 0.00080	\$ 0.00080	\$ 0.00080
Flood Control Zone 3	\$ 0.02430	\$ 0.02430	\$ 0.02430	\$ 0.02430	\$ 0.02430	\$ 0.02430	\$ 0.02430	\$ 0.02430
Redlands Unified	\$ 0.28670	\$ 0.28670	\$ 0.28670	\$ 0.28670	\$ 0.28670	\$ 0.28670	\$ 0.28670	\$ 0.28670
San Bernardino Community College	\$ 0.04880	\$ 0.04880	\$ 0.04880	\$ 0.04880	\$ 0.04880	\$ 0.04880	\$ 0.04880	\$ 0.04880
San Bernardino Valley Municipal Water	\$ 0.02510	\$ 0.02510	\$ 0.02510	\$ 0.02510	\$ 0.02510	\$ 0.02510	\$ 0.02510	\$ 0.02510
San Bernardino Valley Water Conservation District	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>	<u>\$ 0.00043</u>
Total Direct rates	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>
Redlands Unified School Bond 1993	\$ 0.03600	\$ 0.03390	\$ 0.03240	\$ 0.04940	\$ 0.05240	\$ 0.05670	\$ 0.05940	\$ 0.06290
San Bernardino Community College Bond	\$ 0.06510	\$ 0.05620	\$ 0.04070	\$ 0.03760	\$ 0.03500	\$ 0.04030	\$ 0.03930	\$ 0.04190
San Bernardino Unified School Bond	\$ 0.10340	\$ 0.09690	\$ 0.11260	\$ 0.10070	\$ 0.07950	\$ 0.11820	\$ 0.10810	\$ 0.13500
San Bernardino Valley Muni Water District Bond	<u>\$ 0.14250</u>	<u>\$ 0.14250</u>	<u>\$ 0.15250</u>	<u>\$ 0.15250</u>	<u>\$ 0.16250</u>	<u>\$ 0.16250</u>	<u>\$ 0.16250</u>	<u>\$ 0.16250</u>
Total Overlapping Rates	<u>\$ 0.34700</u>	<u>\$ 0.32950</u>	<u>\$ 0.33820</u>	<u>\$ 0.34020</u>	<u>\$ 0.32940</u>	<u>\$ 0.37770</u>	<u>\$ 0.36930</u>	<u>\$ 0.40230</u>
Total Direct & Overlapping Tax Rates	<u>\$ 1.34700</u>	<u>\$ 1.32950</u>	<u>\$ 1.33820</u>	<u>\$ 1.34020</u>	<u>\$ 1.32940</u>	<u>\$ 1.37770</u>	<u>\$ 1.36930</u>	<u>\$ 1.40230</u>
Redevelopment Rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Direct Rate	<u>\$ 0.23897</u>	<u>\$ 0.23897</u>	<u>\$ 0.23904</u>	<u>\$ 0.23904</u>	<u>\$ 0.23903</u>	<u>\$ 0.23904</u>	<u>\$ 0.23898</u>	<u>\$ 0.23897</u>

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

The RDA was dissolved on February 1, 2012.

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

Information for additional years is unavailable.

Source: HdL

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

	<u>2021</u>		<u>2012</u>	
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Victoria Development Company	27,669,221	0.70%	23,023,210	0.87%
Miracle Mile Properties, LP	18,477,996	0.47%		
Lowes HIW Inc.	20,746,000	0.53%	19,494,827	0.74%
Highland AL-MC Group	14,095,064	0.36%		
Greenspot Village & Marketplace LLC	16,126,432	0.41%	11,172,511	0.42%
Greenspot Ranch Investors	13,464,796	0.34%	13,506,032	0.51%
RRM Properties Limited	8,239,983	0.21%	4,099,893	0.15%
Cole LA Highland California LP	10,876,426	0.28%	9,284,389	0.35%
Boulder Baseline Investors			9,210,103	0.35%
2018 3 IH Borrower	13,229,241	0.34%		
Sam Menlo Trust			15,838,767	0.60%
Stater Bros Markets			8,098,495	0.31%
Wesmor			8,587,880	0.32%
Highland 70000 Medical Properties LLC	10,789,404	0.27%		
Federal National Mortgage Association				
	<u>\$153,714,563</u>	<u>3.91%</u>	<u>\$122,316,107</u>	<u>4.62%</u>

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

Source: HdL

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

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Amount Collected	Percent of Levy	Property Tax Collections in Subsequent Years	Amount Collected	Percent of Levy
2012	\$ 6,611,648	5,629,180	85.14%	75,746	5,704,926	86.29%
2013	\$ 6,635,678	5,164,997	77.84%	80,938	5,245,935	79.06%
2014	\$ 6,842,379	5,494,205	80.30%	72,621	5,566,826	81.36%
2015	\$ 7,238,423	5,672,014	78.36%	68,951	5,740,965	79.31%
2016	\$ 7,625,888	5,943,945	77.94%	61,230	6,005,175	78.75%
2017	\$ 7,988,175	6,241,970	78.14%	59,210	6,301,180	78.88%
2018	\$ 8,381,025	6,520,591	77.80%	41,528	6,562,119	78.30%
2019	\$ 8,853,028	6,546,737	73.95%	266,468	6,813,206	76.96%
2020	\$ 9,383,846	6,975,060	74.33%	39,387	7,014,447	74.75%
2021	\$ 9,765,807	7,337,106	75.13%	47,591	7,384,697	75.62%

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

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

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

Governmental Activities

Fiscal Year Ended June 30	Former RDA Tax Allocation Bonds	Percentage of Personal Income ¹	Debt Per Capita ¹
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-

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

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

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

Outstanding General Bonded Debt

Fiscal Year Ended June 30	Former RDA Tax Allocation Bonds	Percent of Assessed Value ¹	Per Capita
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-

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

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

CITY OF HIGHLAND
Overlapping Tax & Assessment Debt
June 30, 2021

2020-2021 Assessed Valuation \$ 4,002,379,791

	Percentage Applicable ¹	Outstanding Debt 6/30/2021	City's Share of Overlapping Debt
<u>Overlapping Tax and Assessment Debt</u>			
San Bernardino Community College District	5.017%	\$ 727,578,368	\$ 36,502,607
Redlands Unified School District	12.207%	63,768,512	7,784,222
San Bernardino Unified School District	9.186%	289,886,327	26,628,958
City of Highland CFD 90-1	100.00%	-	-
City of Highland CFD 2001-1	100.00%	2,300,000	2,300,000
Redlands Unified School District CFD 2001-1 and 2006-1	100.00%	17,550,000	17,550,000
Total Overlapping Tax and Assessment Debt			\$ 90,765,787
<u>Direct & Overlapping General Fund Obligation Debt</u>			
San Bernardino County General Fund Obligations	1.599%	214,095,000	\$ 3,423,379
San Bernardino County Pension Obligations	1.599%	180,825,585	2,891,401
San Bernardino County Flood Control District COP	1.599%	51,360,000	821,246
San Bernardino Unified School District COP	9.186%	90,000,000	8,267,400
City of Highland	100.000%	-	-
Total Direct & Overlapping General Fund Obligation Debt			\$ 15,403,426
<u>Overlapping Tax Increment Debt (Successor Agencies)</u>			
Successor Agency to the Highland RDA (SARDA)	100.00%	41,375,000	\$ 41,375,000
San Bernardino County (IVDA) Tax Allocation Bonds	0.003%	225,585,000	6,768
Total Overlapping Tax Increment Debt (Successor Agencies)			\$ 41,381,768
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$ 147,550,981
COMBINED TOTAL DEBT			² \$ 147,550,981

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

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

Ratios to 2020-2021 Assessed Valuation:

Total Overlapping Tax & Assessment Debt	2.27%
Total Direct Debt	0.00%
Combined Total Debt	3.69%

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

Source: California Municipal Statistics, Inc.

CITY OF HIGHLAND
Legal Debt Margin Information
Last Ten Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assessed Valuation	\$4,002,379,791	\$3,845,838,565	\$3,628,290,209	\$3,434,846,405	\$3,273,842,286	\$3,125,363,744	\$2,966,566,900	\$2,804,253,650	\$2,719,540,147	\$2,709,691,989
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$1,000,594,948	\$ 961,459,641	\$ 907,072,552	\$ 858,711,601	\$ 818,460,572	\$ 781,340,936	\$ 741,641,725	\$ 701,063,413	\$ 679,885,037	\$ 677,422,997
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	150,089,242	144,218,946	136,060,883	128,806,740	122,769,086	117,201,140	111,246,259	105,159,512	101,982,756	101,613,450
Total net debt applicable to	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 150,089,242</u>	<u>\$ 144,218,946</u>	<u>\$ 136,060,883</u>	<u>\$ 128,806,740</u>	<u>\$ 122,769,086</u>	<u>\$ 117,201,140</u>	<u>\$ 111,246,259</u>	<u>\$ 105,159,512</u>	<u>\$ 101,982,756</u>	<u>\$ 101,613,450</u>
Total debt applicable to the as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Source: City of Highland
San Bernardino County Tax Assessor

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CITY OF HIGHLAND
Pledged-Revenue Coverage
Last Ten Fiscal Years

Tax Allocation Bonds

Fiscal Year Ended June 30	Former RDA Tax Increment	<u>Debt Service</u>		Coverage
		Principal	Interest	
2012	4,759,252	1,170,000	1,405,454	1.85
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-

Note: Details regarding the SARDA's outstanding debt can be found in the notes to the financial statements. The RDA was dissolved on 2/1/2012.

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

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CITY OF HIGHLAND
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (2) (in thousands)</u>	<u>Per Capital Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2012	53,664	1,176,583	21,925	16.6%
2013	53,926	1,187,127	22,014	12.2%
2014	54,033	1,173,489	21,718	10.6%
2015	53,340	1,121,794	21,031	7.0%
2016	53,645	1,165,867	21,733	5.6%
2017	54,377	1,170,411	21,524	5.0%
2018	54,761	1,215,505	22,196	5.1%
2019	55,778	1,278,521	22,921	4.1%
2020	55,323	1,353,800	24,470	3.8%
2021	55,060	1,471,700	26,729	10.0%

Sources: (1) State Department of Finance/HdL
(2) Calculated using City of Highland per capital personal income
(3) HdL
(4) HdL

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CITY OF HIGHLAND
Full-time City Employees only
by Department
Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

<u>Department</u>	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
City clerk	1.950	1.950	1.950	1.950	1.850	1.850	1.950	1.950	1.950	1.800
General government	3.750	3.750	3.850	3.850	3.800	3.800	3.925	3.925	3.950	3.650
Personnel	0.250	0.250	0.250	0.250	0.250	0.250	0.300	0.300	0.300	0.300
Finance	4.500	4.500	4.500	4.475	4.125	4.150	4.375	4.375	4.400	3.900
Public works (Gas tax)	4.350	4.350	4.300	4.300	4.300	4.300	5.200	5.200	5.000	5.250
Engineering	1.350	1.350	0.350	0.350	0.350	0.350	0.350	0.350	0.500	0.750
Planning	5.050	5.050	5.050	5.050	5.150	5.150	5.550	5.550	5.650	4.500
Public services	3.000	3.000	3.000	3.000	2.000	2.000	2.000	2.000	2.000	2.000
Building and safety	2.050	2.050	2.050	2.050	2.050	1.550	1.550	1.550	1.550	1.475
Code enforcement	2.900	2.900	2.900	2.900	1.900	2.400	2.400	2.400	2.400	1.775
Parks and trails	1.150	1.150	1.150	1.150	1.150	1.150	2.150	2.150	2.250	2.250
Graffiti	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
CDBG	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400
Street/Storm Drain	0.050	0.050	-	-	-	-	-	-	-	-
HUD grant	-	-	-	-	-	-	-	-	-	-
Assessment districts	1.200	1.200	1.200	1.200	1.200	1.200	-	-	-	-
Capitol improvements	1.150	1.150	1.150	1.175	1.175	-	-	-	-	-
AQMD AB 2766	-	-	-	-	-	-	-	-	-	-
Volunteer Services	0.750	0.750	-	-	-	-	-	-	-	-
General capital financing	0.250	0.250	-	-	-	-	-	-	-	-
General liability	0.350	0.350	0.350	0.350	0.350	0.350	0.400	0.400	0.400	0.400
Building services	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.250	0.250
Housing authority	0.700	0.700	0.700	0.700	0.450	0.450	0.100	0.100	-	-
Redevelopment/Successor agency	-	-	-	-	0.650	1.800	0.500	0.500	-	6.300
	<u>38.000</u>	<u>38.000</u>	<u>36.000</u>	<u>36.000</u>	<u>34.000</u>	<u>34.000</u>	<u>34.000</u>	<u>34.000</u>	<u>33.000</u>	<u>37.000</u>

Source: City of Highland.

CITY OF HIGHLAND
Operating Indicators
by Department
Last Ten Fiscal Years

	<u>Fiscal Year</u>									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police department:										
Calls for service	47,283	47,083	46,493	48,187	46,337	48,204	48,314	45,795	44,270	46,260
Adult Bookings	1,377	1,342	1,787	1,344	1,673	1,557	1,726	1,644	1,659	1,767
Animal control services:										
Calls for service	2,488	2,668	3,149	3,076	3,310	3,650	3,914	4,268	3,977	4,141
Impounds	1,170	1,266	1,467	1,453	1,540	1,556	1,792	2,066	2,579	2,260
Dog licenses issued	1,205	1,267	1,501	1,627	1,787	1,968	2,287	2,394	2,647	3,273
Public works:										
Roadway maintained (miles)	143.47	143.35	142.67	142.67	142.67	142.67	142.67	142.50	142.50	142.50
Planning:										
Applications	110	62	95	121	130	139	146	190	151	180
Building and safety:										
Building permits issued	1,208	957	1,263	1,336	1,268	1,389	n/a*	1,154	1,048	1,276
Administration:										
New business licenses	503	316	312	343	247	366	973	411	627	667
Renewed business licenses	2,971	2,973	2,949	2,499	2,219	1,842	1,479	1,520	1,287	1,239
Parks:										
Number of parks	7	7	7	7	7	7	7	7	7	7
Acreage	37.25	37.25	37.25	37.25	37.25	37.25	37.25	37.25	37.25	37.25

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

	<u>Fiscal Year</u>									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Corporation yards	1	1	1	1	1	1	1	1	1	1
Streets (miles)	143.47	143.35	142.67	142.67	142.67	142.67	142.67	142.50	142.50	142.50
Street lights	3,495	3,495	3,495	3,495	3,490	3,455	3,455	3,395	3,380	3,376
Traffic signals	57	57	57	56	55	54	54	52	52	52
Recreation:										
Parks	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Athletic centers	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1

Source: City of Highland



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THE CITY OF HIGHLAND MISSION AND VALUES

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

This Mission is established to reflect the following beliefs which represent the predominant beliefs of the community. They express what matters most in the conduct of public affairs affecting the citizenry of Highland.

RESPONSIBILITY

Everyone in the community has rights and is responsible for their own actions.

SERVICE

Volunteer service is a valued community resource.

ACCOUNTABILITY

Public resources and finances are to be stewarded carefully and conservatively-we live within our means and will not place huge debts on future generations.

CREATIVITY

Creative solutions are the norm, not the exception.

NEIGHBORHOOD STABILITY

Neighborhood stability and a sense of ownership are to be encouraged and strengthened.

VISION

The community has a vision of the future and how it will get there.

FAMILY

Families are the basic unit of society and the essence of what makes our community. All values should be encouraged at this family level.



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FOR DISCUSSION PURPOSES ONLY

CITY OF HIGHLAND

Single Audit Report on Federal Award Programs

June 30, 2021

DRAFT 12/1/21
FOR DISCUSSION PURPOSES ONLY

CITY OF HIGHLAND
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2021

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DRAFT 12/1/21
FOR DISCUSSION PURPOSES ONLY

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

City Council
City of Highland
Highland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Highland (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December __, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant + Fankhaenel, LLP

December __, 2021

DRAFT 12/1/21
FOR DISCUSSION PURPOSES ONLY

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by Uniform Guidance**

City Council
City of Highland
Highland, California

Report on Compliance for Each Major Federal Program

We have audited the City of Highland's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Highland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DRAFT 12/1/21
FOR DISCUSSION PURPOSES ONLY

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the City of Highland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December __, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Van Lant & Funkhouser, LLP

December __, 2021

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FOR DISCUSSION PURPOSES ONLY

CITY OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Identification Number	Program Expend- itures	Provided to Sub- Recipients
<i>Department of Housing and Urban Development</i>				
CDBG - Entitlement Grants Cluster				
Passed through the County of San Bernardino:				
Community Development Block Grant	14.218	18103K/0146	\$ 153,801	\$ -
Community Development Block Grant	14.218	19103K/0167	192,121	-
Community Development Block Grant	14.218	20103K/0180	295,107	-
Community Development Block Grant	14.218	HIGH-20-1-15 Z/1355	110,351	-
Community Development Block Grant	14.218	HIGH 20-1-02 A/1219	24,234	24,234
Community Development Block Grant	14.218	HIGH 20-2-05 D/2620	13,000	13,000
Community Development Block Grant	14.218	HIGH 20-2-05 Z/2443	11,131	11,131
Community Development Block Grant	14.218	HIGH 19CV-1-05W/0200	1,187	1,187
Community Development Block Grant	14.218	HIGH 19CV-2-05W/0202	134,378	134,378
<i>Total Department of Housing and Urban Development Programs</i>			935,310	183,930
<i>Department of Justice</i>				
Passed through the County of San Bernardino:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0991	15,759	-
<i>Total Department of Justice Programs</i>			15,759	-
<i>Department of the Treasury</i>				
Direct Recipient				
Coronavirus State and Local Fiscal Recovery Fund	21.027	-	6,088	-
Passed through the County of San Bernardino:				
Coronavirus Relief Fund	21.019	2020-H5303-CA-VD	683,080	-
Passed through the California Department of Finance:				
Coronavirus Relief Fund	21.019	-	676,771	-
Coronavirus Relief Fund program subtotal			1,359,851 *	-
<i>Total Department of Treasury Programs</i>			1,365,939	-
<i>Department of Homeland Security</i>				
Passed through the San Bernardino Co. Fire Protection District:				
Homeland Security Grant Program	97.067	DHS-19-GPD-067-00-02	13,607	-
<i>Total Department of Homeland Security Programs</i>			13,607	-
<i>Department of Transportation</i>				
Passed through the California Department of Transportation:				
Recreational Trails Program	20.219	RT 36-013 OR ZT 36-057	14,091	-
Highway Planning and Construction Cluster				
Passed through the California Department of Transportation:				
Highway Planning and Construction	20.205	BR-NBIL 5449 (505)	483,451	-
Highway Planning and Construction	20.205	PNRSL 5449 (033)	69,459	-
Highway Planning and Construction	20.205	SRTS 5449 (026)	385,792	-
Highway Planning and Construction	20.205	SRTS 5449 (027)	243,444	-
<i>Total Department of Transportation Programs</i>			1,196,237	-
<i>Department of Commerce</i>				
Passed through the San Manuel Band of Mission Indians:				
Economic Development Assistance	11.300	EDA 07-01-07415	89,998	-
<i>Total Department of Commerce Programs</i>			89,998	-
Total Expenditures of Federal Awards			\$ 3,616,850	\$ 183,930

* = Major Program

CITY OF HIGHLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Highland (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3) Relationship to Other Reports

Amounts reported in the accompanying Schedule agree to the amounts reported within the City's Annual Comprehensive Financial Report and Federal Financial Report.

4) Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

5) Subrecipient Expenditures

During the fiscal year ended June 30, 2021, the City made payments to subrecipients which consisted of the following:

Highland Senior Center	\$	24,234
Central Little League		13,000
YMCA		11,131
Highland Grocery		1,187
Highland Ready Made Food		134,378
Total Subrecipients	\$	183,930

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Type of Auditor’s Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With Uniform Guidance?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	Highway Planning and Construction

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ 750,000
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Auditee Qualified as Low-Risk Auditee?	Yes
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CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

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CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with *Uniform Guidance*.

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CITY OF HIGHLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with the *Uniform Guidance*.

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FOR DISCUSSION PURPOSES ONLY
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December __, 2021

City Council
City of Highland
Highland, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland (City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 4, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year, except for the implementation of GASB Statement No. 84, *Fiduciary Activities*. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimates for the net pension and total OPEB liabilities are based on actuarial information provided by the California Public Employee Retirement System's (CalPERS) actuarial office, and other sources. We evaluated the key factors and assumptions to develop these liabilities in determining that the estimated liabilities are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 4 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosures for the net pension and total OPEB liabilities in Notes 5, 7 and 8 to the financial statements are based on assumptions for discount rates, etc., which could differ from actual experience. The notes disclose the differences in these liabilities if different assumptions are used in estimating these liabilities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December __, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and other required supplementary information, as listed in the City's financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (e.g., budgetary schedules, combining statements, individual fund statements), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Highland and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Van Lant + Fankhauser, LLP

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FOR DISCUSSION PURPOSES ONLY

December __, 2021

Mr. Chuck Dantuono
Director of Administrative Services
City of Highland

Dear Mr. Dantuono:

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2021, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration below. We will review the status of these comments during our next audit engagement.

This letter by its very nature is critical and does not highlight the many positive features of the City's internal control. These comments and recommendations are intended to improve the internal control or result in other operating efficiencies and are summarized as follows:

Fee Schedule Implementation

As part of our audit procedures, we tested the implementation of a Council-approved fee schedule introduced in FY 2020/2021. While performing these procedures we noted that fees for certain building permits had not been assessed in accordance with the adopted fee schedule for several years. Management was ultimately able to update the permit system with the appropriate fees.

In order to avoid similar situations in the future, we recommend that management implement an additional level of oversight when fee changes occur, to ensure that all departments have implemented the latest Council-approved fees.

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FOR DISCUSSION PURPOSES ONLY

Summation

We would like to take this opportunity to express our appreciation for the assistance extended us during the course of our audit. If we can be of further assistance, or if you have any questions regarding our recommendations, please call our office. This letter is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Van Lant & Fankhanel, LLP

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

City Council
City of Highland
Highland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Highland (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December __, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant + Fankhanel, LLP

December __, 2021

DRAFT 11/30/21
FOR DISCUSSION PURPOSES ONLY

**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

City Council
City of Highland
Highland, California

We have performed procedures enumerated below to be the accompanying Appropriations Limit worksheet of the City of Highland, for the year ended June 30, 2021. These procedures, which were agreed to by the City of Highland and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIII B of the California Constitution*.

This report is intended solely for the use of the City Council and management of the City of Highland and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Van Lant + Frankhamel, LLP

December __, 2021

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CITY OF HIGHLAND
APPROPRIATIONS LIMIT COMPUTATION
2020 - 2021

	<u>2020-21</u>
Change in Per Capita Personal Income	3.73%
Population Change	
City Population Growth	0.1829%
A. Change in Per Capita Personal Income Converted to a Ratio	1.0373
B. Population Growth Converted to a Ratio	1.001829
Calculation of Growth Factor (A x B)	1.0391972
2019 -2020 Appropriations Limit	<u>\$ 36,698,870</u>
2020 -2021 Appropriations Limit (\$36,698,870 x 1.0391972)	<u>\$ 38,137,363</u>

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FOR DISCUSSION PURPOSES ONLY
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Agenda Item #3

AB 1600 Development Impact Fees Annual Report
Government Code Section 66006
For June 30, 2021

Project #	Title	Balance 7/1/2020	Transfers	Revenues	Interest	Expenditures	Balance 6/30/2021
9700	Law Enforcement Facilities & Equipment	351,350.18	-	3,260.13	1,685.62	-	356,295.92
9701	Fire Facilities & Equipment	400,214.00	-	15,421.74	1,975.70	-	417,611.44
9702	General Facilities	366,962.73	-	37,420.12	1,922.21	-	406,305.06
9703	Parks & Recreation Facilities	497,604.66	-	41,985.27	2,564.91	-	542,154.83
9711	Library Facilities	289,134.43	-	10,343.19	1,423.55	-	300,901.16
9712	Local Circulation	589,268.43	-	296,418.44	4,210.06	179,142.41 d-j	710,754.52
9713	Regional Flood	506,064.53	-	33,617.10	2,565.34	-	542,246.97
9714	Public Use Facilities	1,169,555.62	-	12,891.94	5,620.69	-	1,188,068.25
9715	Regional Circulation-Del Rosa	277,560.10	-	30,125.68	1,462.56	-	309,148.35
9716	Regional Circulation-Base Line	630,291.11	-	68,786.93	3,323.02	-	702,401.06
9717	Regional Circulation-Fifth Street	619,791.17	-	67,615.38	3,267.54	-	690,674.10
9718	Regional Circulation-Arterials	1,332,218.75	-	562,788.86	9,007.80	420,488.93 a-b	1,483,526.48
9845	SBCTA Agreement 18-1001978	-	-	469,081.23	-	469,081.23 c	-
		7,030,015.69	-	1,649,756.01	39,029.00	1,068,712.57	7,650,088.13
		7,030,015.69					7,650,088.13

Summary of expenditures:

a Project BRG 12-001 Orange Street Bridge	95,395.00
b Project BRG 04-004a Boulder Avenue Bridge	325,093.93
c Project ICH 09-001 Dif Agreement 18-1001978	469,081.23
d Project STR 12-004 SR2s10 Warm Springs	66,697.52
e Project STR 07-009 Bruce-Crest-Hillview-Cunningham-9th	185.08
f Project SWK 16-001 Sterling Ave/Water Street	6,699.14
g Project SDR 19-001 Elder Gulch Storm Drain	6,128.25
h Project STR 20-002 Pacific Street Pavement Rehab	10,318.04
i Project STR 20-001 PMP Sector E Rehab	10,752.50
j Tract 18935 Dif Reimb/Credit	78,361.88
	<u>1,068,712.57</u>

Agenda Item #4

**Developer In Lieu Fee Annual Report
For June 30, 2021**

Project #	Title	Balance 7/1/2020	Revenues	Interest	Expenditures	Transfers	Balance 6/30/2021
9543	Microfilm	134,254.20	9,597.56	725.00	12,212.11 a	-	132,364.65
9647	Street/Trees	460,662.54	35,885.54	2,135.00	96,548.63 b-e	-	402,134.45
9648	Signals	1,860,240.53	36,450.00	10,440.00	-	-	1,907,130.53
9650	Bledsoe Creek	5,545.96	-	31.00	-	-	5,576.96
9651	Medians	784,755.79	-	4,319.00	-	-	789,074.79
9653	Underground Utilities	553,194.64	-	3,045.00	-	-	556,239.64
9654	Landscaping	-	16,972.50	93.00	-	-	17,065.50
9720	Inclusionary Housing	610,698.03	18,750.00	3,465.00	-	-	632,913.03
		<u>4,409,351.69</u>	<u>117,655.60</u>	<u>24,253.00</u>	<u>108,760.74</u>	<u>-</u>	<u>4,442,499.55</u>
							4,442,499.55

Summary of expenditures:

a Entering documents into laserfische/new scanner.	12,212.11
b Project STR 07-009 Bruce-Crest-Hillview-Cunningham-9th	4.70
c Project STR 11-005 Cunningham St to Palm Ave	51,700.89
d Project STR 11-006 9th St to Base Line	42,000.54
e Project LRS 19-001 Citywide Local Roadway Safety Plan	2,842.50
	<u>108,760.74</u>