City of Highland
Finance/Personnel Subcommittee
Agenda

November 15, 2022
10:00 a.m.
Upright Conference Room
Highland City Hall
27215 Base Line
Highland, California

SUBCOMMITTEE MEMBERS

LARRY McCALLON, MEMBER
JOHN TIMMER, MEMBER

STAFF
Joseph A. Hughes - City Manager
Chuck Dantuono - Director of Administrative Services/City Treasurer
Lawrence Mainez - Community Development Director
Carlos Zamano - Public Works Director/City Engineer

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

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance, please contact the City Clerk's office at (909) 864-6861, ext. 226, at least 72 hours prior to the meeting for any requests for reasonable accommodation to include interpreters.

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.

FINANCE/PERSONNEL SUBCOMMITTEE
NOVEMBER 15, 2022 – 10:00 a.m.

CALL TO ORDER

PUBLIC COMMENT

Submission of Public Comments: 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 9:00 a.m. on November 15, 2022, to publiccomment@cityofhighland.org. If you are submitting a public comment pertaining to an item on the November 15, 2022 agenda, please identify the agenda item number in the subject line. Members of the public will be permitted to make public comments in person.

BUSINESS ITEMS

1. Minutes – October 3, 2022 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, 2022.

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.

5. Allocation of Unencumbered Community Development Block Grant (CDBG) Funds
   RECOMMENDATION: Staff recommends the Subcommittee approve the funds as proposed.

6. Purchasing Policy
RECOMMENDATION: Staff recommends the Subcommittee review and approve the proposed changes and bring forward to the City Council for consideration.

7. Reserve Deputy/Citizens on Patrol/Volunteer Firefighter Uniform Reimbursement Policy
RECOMMENDATION: Staff recommends the Subcommittee approve the policy change due to increased costs in uniform regulations.

ADJOURN

I, Alondra Munoz, Deputy City Clerk, of the City of Highland, California, certify that I caused to be posted this Agenda on or before the 10th day of November, 2022, by 5:30 p.m. on our website at www.cityofhighland.org and in the following designated areas:

Highland Branch Library
7863 Central Avenue

Fire Station No. 1
26974 Base Line

City Hall
27215 Base Line

Date: November 10, 2022

Alondra Munoz
Deputy City Clerk

Business Item No. 1

MINUTES
FINANCE/PERSONNEL SUBCOMMITTEE
OCTOBER 3, 2022

CALL TO ORDER

The regular meeting of the Finance/Personnel Subcommittee of the City of Highland was called to order at 11:00 a.m. in the Upright Conference Room, 27215 Base Line, Highland, California.

ROLL CALL

Present: McCallon, Timmer
Absent: None

PUBLIC COMMENT

Received no public comment

ITEMS

1. Minutes – September 6, 2022 Meeting
   Approved the Minutes as submitted.

2. American Rescue Plan Act (ARPA) No. 1 – Update
   Finance/Personnel Subcommittee recommended any leftover funds from 1.5 Personal Protective Equipment (PPE) be moved over to 1.4 Prevention/Mitigation in Congregate Settings.

3. American Rescue Plan Act (ARPA) No. 2 – Use of Funds
   Finance/Personnel Subcommittee reviewed and approved the item to bring forward to the City Council for consideration.

4. Staff Reorganization/Succession Planning
   Finance/Personnel Subcommittee reviewed and approved the item to bring forward to the City Council for consideration to create three new employee positions; Assistant Director of Administrative Services, Deputy City Clerk and Senior Civil Engineer.

ADJOURN

There being no further business, the meeting was adjourned at 11:17 a.m.

Submitted by:

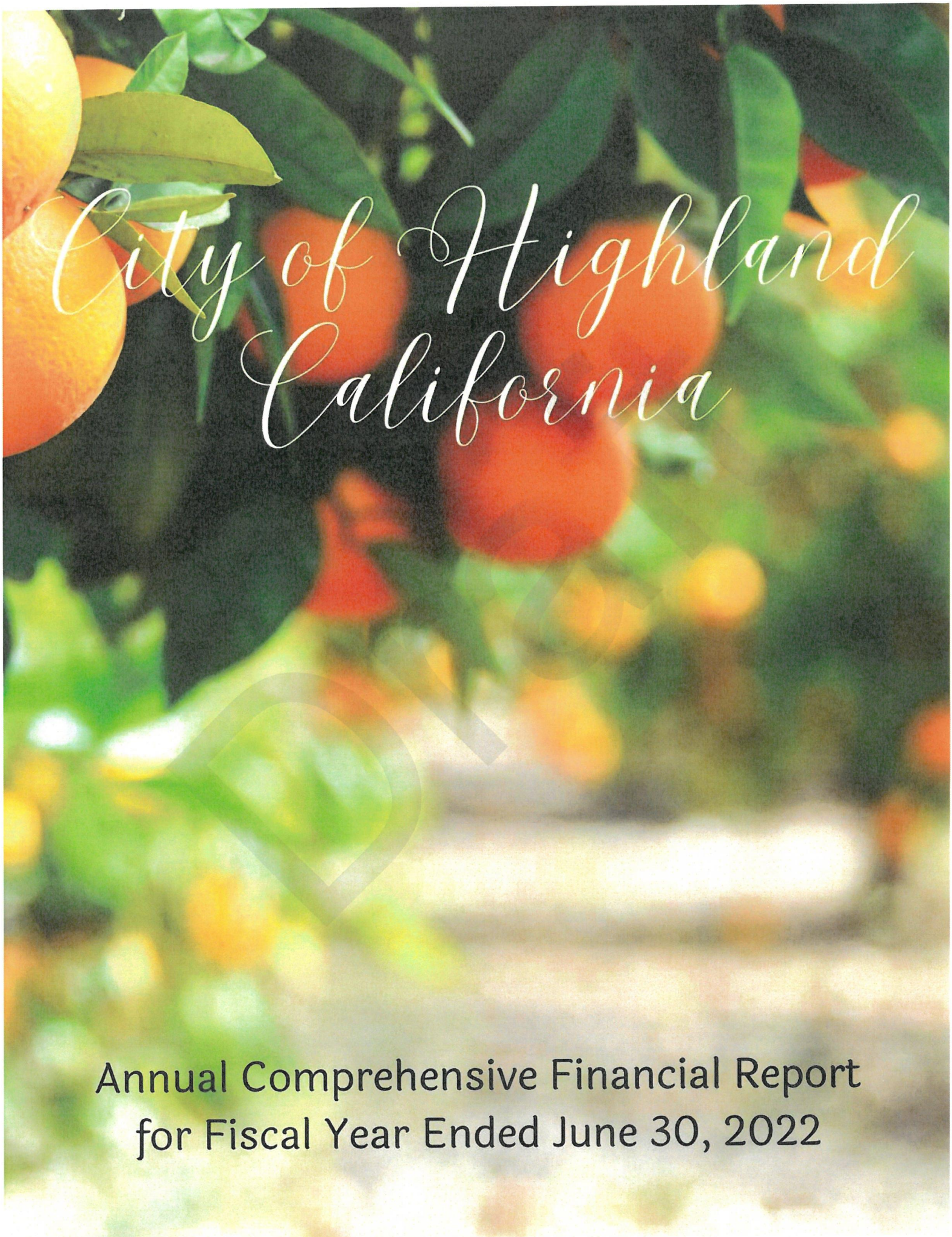
Lissette Nock, Administrative Assistant III

Approved by:

Subcommittee Member

Business Item No. 2

Draft Annual Comprehensive Financial Report



City of Highland California

Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022

CITY OF HIGHLAND
Highland, California

Annual Comprehensive Financial Report

For the fiscal year ended June 30, 2022

27215 Base Line
Highland, California 92346
Phone: 909.864.6861
Fax: 909.862.3180
www.cityofhighland.org

Prepared by the Finance Department:

Chuck Dantuono
Director of Administrative Services/City Treasurer

Leticia "Tish" Nava-Cruz
Assistant Director of Administrative Services

Michelle Gomez
Accountant

City of Highland
Annual Comprehensive Financial Report
Year Ended June 30, 2022

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1 – 10
List of City Officials	11
Organizational Chart	12
GFOA Certificate of Achievement for Excellence in Financial Reporting	13
FINANCIAL SECTION	
Independent Auditor's Report	15 - 17
Management's Discussion & Analysis	18 - 27
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds	31 – 32
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	34
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	35 – 36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
Statement of Net Position - Proprietary Funds	38
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	39
Statement of Cash Flows - Proprietary Funds	40
Statement of Net Position - Fiduciary Funds	41
Statement of Changes in Net Position - Fiduciary Funds	42
Notes to Financial Statements	43 - 71
Required Supplementary Information	
Budgetary Comparison Schedule by Department - Budget and Actual:	
General Fund	73
Budgetary Comparison Schedule - Budget and Actual:	
Special Revenue Funds:	
Grants	74
Major Grants	75
Schedule of Changes in Total OPEB Liability	76
Schedule of the City's Proportionate Share of the Net Pension Liability	77
Schedule of Plan Contributions	78
Notes to Required Supplementary Information	79
Supplementary Information	
Budgetary Comparison Schedules - Major Funds	
Capital Improvements	81
Development Impact Fees Capital Projects Fund	82

City of Highland
Annual Comprehensive Financial Report
Year Ended June 30, 2022

TABLE OF CONTENTS – Continued

	Page
Supplementary Information – Continued	
Nonmajor Governmental Funds:	
Description of Nonmajor Funds	84 - 85
Combining Balance Sheet - Nonmajor Funds	87 - 89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Funds	91 - 93
Budgetary Comparison Schedule - Budget and Actual:	
Measure I Special Revenue Fund	94
Traffic Safety Special Revenue Fund	95
Gas Tax Special Revenue Fund	96
Article 3 Special Revenue Fund	97
CDBG Special Revenue Fund	98
Developer Fees Special Revenue Fund	99
Landscape Maintenance District Special Revenue Fund	100
Street Light District Special Revenue Fund	101
Community Trails Special Revenue Fund	102
Parks Maintenance District Special Revenue Fund	103
AQMD Special Revenue	104
COPS Special Revenue Fund	105
Street and Storm Drain Maintenance Special Revenue Fund	106
Justice Assistance Grant Special Revenue Fund	107
Paramedic Department Special Revenue Fund	108
Housing Authority Special Revenue Fund	109
General Capital Financing	110
Community Facilities District Capital Projects Fund	111
Description of Internal Service Funds	112
Combining Statement of Net Position - Internal Service Funds	113
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	114
Combining Statement of Cash Flows - Internal Service Funds	115
STATISTICAL SECTION	
Description of Statistical Section	117
Net Position by Component	118
Changes in Net Position	119
Fund Balances of Governmental Funds	120
Changes in Governmental Fund Balances	121
Assessed Value and Estimated Actual Value of Taxable Property by Major Type	122
Direct and Overlapping Property Tax Rates	123
Principal Property Tax Payers	124
Property Tax Levies and Collections	125
Ratios of Outstanding Debt by Type	126
Ratios of General Bonded Debt Outstanding	127
Overlapping Tax and Assessment Debt	128
Legal Debt Margin Information	129
Pledged Revenue Coverage	130
Demographic and Economic Statistics	131
Full-time City Employees by Department	132
Operating Indicators	133
Capital Asset Statistics	134

INTRODUCTORY SECTION

City of
HIGHLAND
Inc. 1987

December 13, 2022

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, 2022.

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, 2022. 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
Larry McCallon	Penny Lilburn	Jesse Chavez	Anaeli Solano	John P. Timmer	Joseph A. Hughes

27215 Base Line • Highland, CA 92346
Tel: 909.864.6861 • Fax: 909.862.3180 • www.cityofhighland.org

planned development consisting of low- and medium density residential development of 316 residential units, and two (2) parks. The first 49 units have been constructed and made available in this beautiful new community.

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 & 2022 and Districts 1, 3 and 5 had elections in 2020 and are up again in November 2024.

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. Sales & use tax continued to increase as it has over the last several years. Other revenues such as charges for services, extraction tax, transient occupancy tax, and franchise fees increased as well. 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 2021/2022. 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 4.32% and the Cal-Fire contract increased again by 8.22%. The Cal-Fire increase of 8.22% includes the addition of a full-time (100%) Battalion Chief position that was partially (50%) added in FY 2020/2021. As a result of these increases, 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 five 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." Starting in 2007, the City has spent $13M on improving Greenspot Road to help contribute to future economic growth in this area. This investment in this area resulted in the following: Several years ago, Lowe's, Staples, In-N-Out, Esporta fitness club, Wing Stop, Jersey Mikes, Jamba Juice, Trendsetter Salon & Day Spa, Mountain Mikes Pizza and 7-Eleven.

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." It is currently under construction and expected to be available to tenants in late 2022. An additional 746 multi-family units were approved by the City Council in 2021 and 2022 by TREH Development and Alliance Residential Company. These two projects have high amenities, upscale architecture, multiple club houses, outdoor recreation, pools, trails, and gathering areas. In conjunction with the residential development, an additional 78,000 square feet of retail shops will be added at the northeast corner of Greenspot Road and State Route 210.

The Town Center on Base Line west of SR-210 is home to Smart N Final Extra. Several years ago, CVS Pharmacy, Baker's and Family Dollar also opened in this area. Coming soon in this area will be The Habit Burger Grill, El Pollo Loco & Tractor Supply Company. Opening four 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 for FY 2020-2021, Highland ranked 326 out of 430 cities in terms of high risk-the higher number a city is ranked, the lower risk it has. This means there are only 104 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-five 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 84% complete and is expected to be completed in April 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. Construction of this project is substantially completed. All remaining work is anticipated to be completed by December 2022. The estimated cost is $35 million. The City's share of the project cost is $14.9M.

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 also continues to be 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 2021, the last payment due to the City on the $600,000 loan was received and this loan is now paid in full. The last loan amount of $1,300,000 will be fully repaid in FY 2026/2027.

Five years ago, the State passed SB 1, The Road Repair and Accountability Act of 2017, which increased Gas Tax revenues. For fiscal year 2021/2022, this brought in an additional $1.1M in revenues. It is estimated that this new tax will generate an additional $1M in 2022/2023. 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 now received both installments 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) & various Public Works projects.

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 in FY 2020/2021 & FY 2021/2022.

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 2021-2023. 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 2021-2023. The City has received this award from CSMFO every year since first applying for it in 1991-1992. The City will apply for these same awards for the 2023-2025 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, 2021, 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-second 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, 2021. 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.

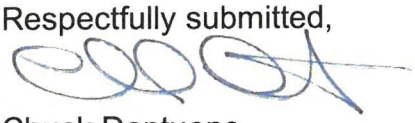
To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This achievement 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 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 Assistant Director of Administrative Services, 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, even more so this last year. 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 integrity, leadership, and financial leadership which has always been and remains critical to Highland's fiscal health.

Respectfully submitted,



Chuck Dantuono
Director of Administrative
Services/City Treasurer

CITY OF HIGHLAND

Annual Comprehensive Financial Report

Listing of Officials

June 30, 2022

Elected Officials

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

Finance/Personnel Subcommittee

Committee member	Larry McCallon
Committee member	John Timmer

Management

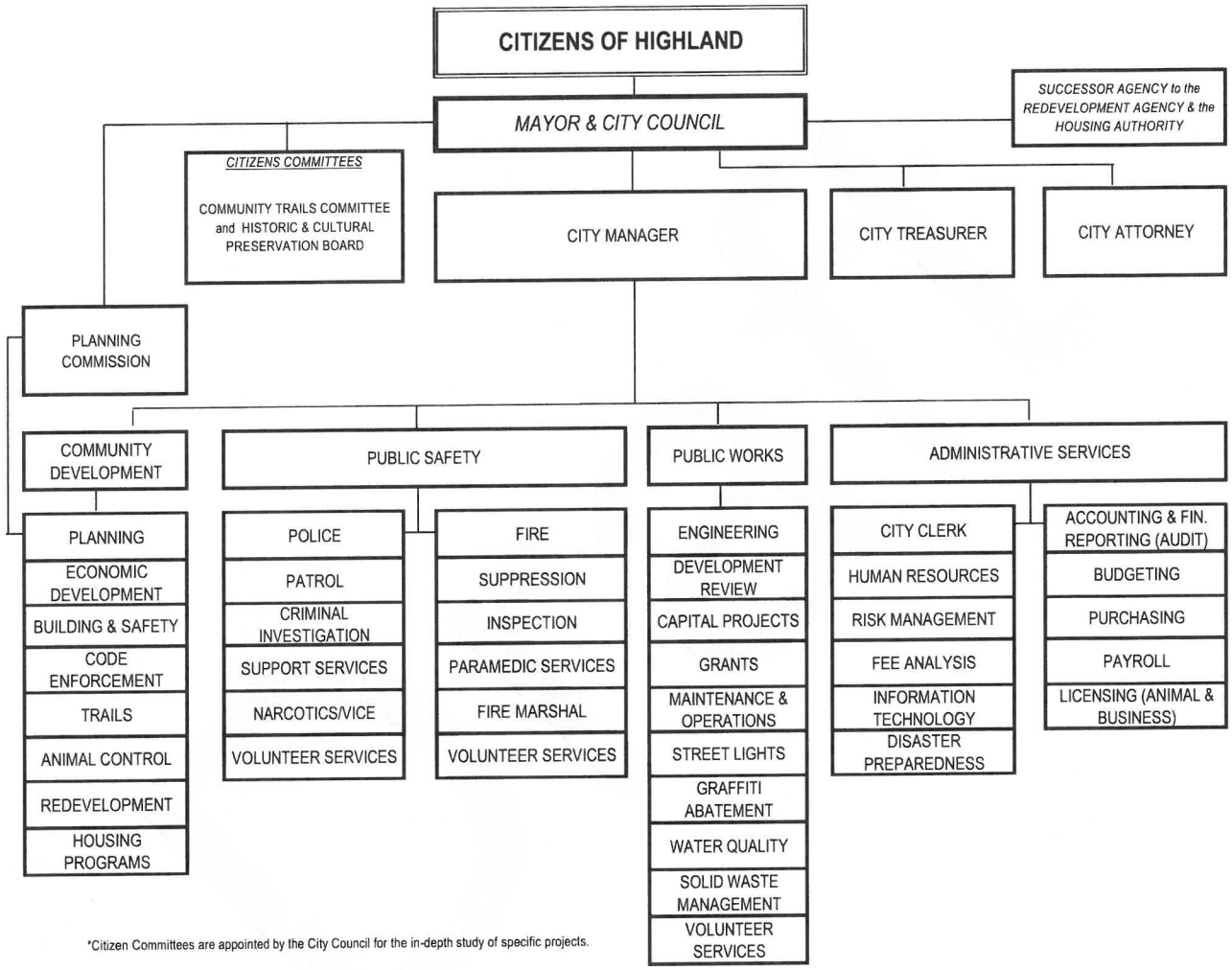
City Manager	Joseph Hughes
Assistant Public Works Director	Matt Bennett
Director of Administrative Services/City Treasurer	Chuck Dantuono
City Clerk	Betty Hughes
Administrative Services Manager	Shawn Kasner
Community Development Director	Lawrence Mainez
Public Services Manager	Melissa Morgan
Public Works 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	Phill Dupper
Fire Chief (Battalion Chief)	Sean Landavazo

CITY OF HIGHLAND

Annual Comprehensive Financial Report

Organizational Chart

June 30, 2022



*Citizen Committees are appointed by the City Council for the in-depth study of specific projects.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

The Honorable City Council
City of Highland, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note __ to the financial statements, in 2022, the City adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary schedules and pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining statements and budget schedules, as listed in the table of contents, are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November __, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

November __, 2022

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, 2022. 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

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, 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, 2022

Governmental Activities

	2022	2021
Capital and other assets	$86,612,155	$79,608,682
Capital assets, net	229,586,961	225,865,157
Total Assets	316,199,116	305,473,839
Deferred Outflows of Resources	1,324,439	1,360,925
Long-term liabilities	9,075,577	7,873,385
Other liabilities	14,163,517	11,555,623
Total Liabilities	23,239,094	19,429,008
Deferred Inflows of Resources	4,742,735	116,115
Net Position:		
Net Investment in capital assets	225,235,630	225,865,157
Restricted	38,699,390	41,680,443
Unrestricted	25,606,706	19,744,041
Total Net Position	$289,541,726	$287,289,641

The largest portion of the City's net position (77.7%) reflects its investments in capital assets (i.e., land, buildings, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending.

Restricted net position (13.4%) 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 (8.8%) 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, 2022
Governmental Activities

	2022	2021
Program Revenues:		
Charges for services	$5,104,974	$5,098,157
Operating contributions & grants	2,811,500	3,909,827
Capital contributions & grants	12,935,771	4,994,406
Total Program Revenues	20,852,245	14,002,390
General Revenues:		
Property taxes	15,406,948	14,517,673
Sales & use tax	4,017,078	3,714,315
Transient occupancy tax	268,259	271,603
Franchise fees	1,930,701	1,825,256
Business license tax	446,810	491,867
Other	63,608	40,576
Gain on Sale of Capital Asset	-	356,150
Investment income	(22,924)	133,727
Miscellaneous	140,273	188,643
Total General Revenues	22,250,753	21,539,810
Total Revenues	43,102,998	35,542,200
Expenditures:		
General government	2,329,674	2,970,378
Public works	15,510,734	13,951,011
Public safety	18,165,480	17,233,793
Community development	4,845,025	3,610,883
Total Expenditures	40,850,913	37,766,065
Change in net position	2,252,085	(2,223,865)
Restatement of net position	-	(484,283)
Change in net position	2,252,085	(2,708,148)
Beginning net position	287,289,641	289,997,789
Ending net position	$289,541,726	$287,289,641

The increase or decrease in net position can provide an indication as to whether the overall financial position of the city improved or deteriorated during the year. The net position of the City's governmental activities increased by 0.8% ($287.3M compared to $289.5M). 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 2021/2022. 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 expenditures increased due in part to the American Rescue Plan Small Business Assistance Program.

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

For the reasons stated above, the City's net position increased by $2.2M ($287.3M to $289.5M).

Governmental Activities

Revenues by Source

	2021/2022	%	2020/2021	%
Charges for services	$5,104,974	11.8%	$5,098,157	14.3%
Operating contributions & grants	2,811,500	6.5%	3,909,827	11.0%
Capital contributions & grants	12,935,771	30.0%	4,994,406	14.1%
Property taxes	15,406,948	35.7%	14,517,673	40.8%
Sales & use tax	4,017,078	9.3%	3,714,315	10.5%
Transient occupancy tax	268,259	0.6%	271,603	0.8%
Franchise fees	1,930,701	4.5%	1,825,256	5.1%
Business license tax	446,810	1.0%	491,867	1.4%
Other	63,608	0.1%	40,576	0.1%
Gain of Sale of Capital Asset	-	0.0%	356,150	1.0%
Investment income	(22,924)	- 0.1%	133,727	0.4%
Miscellaneous	140,273	0.3%	188,643	0.5%
Total Revenues	$43,102,998	100.0%	$35,542,200	100.0%

Expenditures by Function

	2021/2022	%	2020/2021	%
General government	$2,329,674	5.7%	$2,970,378	7.9%
Highways & streets	15,510,734	38.0%	13,951,011	36.9%
Community development	4,845,025	11.9%	3,610,883	9.6%
Public safety	18,165,480	44.5%	17,233,793	45.6%
Total Expenditures	$40,850,913	100.0%	$37,766,065	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 $18,684,573. 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 transfers) increased by $2,222,389, a 9.6% increase. Taxes increased by 6.0% or $1,240,036. This is attributable to increasing property values (property taxes). Licenses and Permits increased by 96.8% or $598,971 due to increased building permit activity. Charges for Services increased by 33.3% or $424,575 due to increases in planning and engineering applications. Interest income decreased by $34,414 as a result of decreasing interest rates.

- Total expenditures (excluding transfers) decreased by $97,501. General government expenditures decreased by 15.9% or $338,780 due to a position reclassification and an operating transfer to the insurance fund in 2020/2021. Public safety (police department, fire department & animal control) decreased by 1.8% or $245,348. In FY 2022, annual contract increases for Police & Fire were offset by the City receiving a one-time grant from the federal government (American Rescue Plan Act) relating to COVID-19.

- Fund Balance in the general fund increased by $2,764,779 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 $4,067,207 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 2021/2022 are expected to be received in fiscal year 2022/2023.

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 $425,616 primarily due to higher grant and joint project activity in 2021/2022 than in 2020/2021. 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 increased by $3,311,615 primarily due to the timing of receiving and expending funds.

- The fund balance of this fund increased by $620,076 primarily due to work performed and reimbursed in 2021/2022.

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:

- In 2021/2022 revenues decreased by $843,956 due to a large industrial development impact fee that was received in 2020/2021.

- Expenditures in this fund increased by $4,019,246 due to this fund being more heavily used to pay for capital projects in 2021/2022 than in 2020/2021.

- The fund balance in this fund decreased overall by $1,314,246. This fund is expected to see an increase in activity in fiscal year 2022/2023.

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 $90,593 in 2021/2022.

- Expenditures in this fund decreased by $1,727,189. Overall capital project construction activity in this fund was decreased in fiscal year 2021/2022. 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 2022/2023. 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 2021/2022.

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:

- $153,260 in the Police Department budget for the San Bernardino County Sheriff contract increase in FY 2021/2022.
- $213,513 General Fund transfer to the Landscape Maintenance District fund to help offset current year expenditures.
- $1,500,000 General Fund transfer to the General Capital Financing fund to help offset future capital project expenditures.
- $675,000 General Fund transfer to the General Services fund to help offset current & future expenditures in this fund.
- $128,215 in the Engineering Department budget for increases in contract services.
- $93,500 in the Code Enforcement Department budget for increases in various contract services.
- Significant budgetary variances in the General Fund include:

  The City received two allocations from the American Rescue Plan Act (ARPA), both in the amount of $7,447,553.50, in June 2021 and June 2022.

  For FY 2021/2022, the first allocation of this grant 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 years 2022/2023, 2023/2024 & 2024/2025, the City will continue to use these grant funds (both allocations) for these purposes. As a result, the City will see these same variances in the next three fiscal years as well.

  As for revenues and very similar to last year, the City realized $480,000 actual revenues over budgeted revenues in the sales & use tax line item. We believe this was due to the additional point of sales purchases (Amazon) in Highland, 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 79.

CAPITAL ASSETS

Capital Assets (net of depreciation)
Governmental Activities

	2022	2021
Land	$4,485,030	$4,485,030
Rights of Way	89,650,461	89,650,461
Construction in progress	7,177,132	8,480,446
Buildings & improvements	21,544,667	22,636,227
Equipment, furniture & software	1,175,361	1,284,424
Vehicles	1,674,896	1,843,738
Infrastructure	103,879,414	97,484,831
Total	$229,586,961	$225,865,157

The major additions to capital assets during the year ended June 30, 2022, 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 20-001 PMP Sector E Rehabilitation
- Project No. BRG 04-004A Boulder Avenue Bridge Phase II
- Project No. STR 11-005 9th Street SRTS Improvements Cunningham to Palm
- Project No. STR 11-006 McKinley Street SRTS Improvements 9th to Base Line
- Project No. STR 20-003 Tippecanoe Avenue (3rd-Vine) Joint project with San Bernardino County.

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 page 57.

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.

BASIC FINANCIAL STATEMENTS

City of Highland
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and Investments	$ 75,956,177
Receivables:	
Accounts	1,324,049
Interest	82,999
Property Taxes	222,581
Loans	695,728
Leases	2,441,453
Due from Other Governments	4,802,766
Advance to Successor Agency	1,068,305
Prepaid Items	18,097
Capital Assets, Not Being Depreciated	101,312,623
Capital Assets, Net of Depreciation	128,274,338
Total Assets	316,199,116
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Related Items	235,808
Pension Related Items	1,088,631
Total Deferred Outflows of Resources	1,324,439
LIABILITIES	
Accounts Payable	1,425,485
Accrued Liabilities	106,932
Retention Payable	258,197
Deposits Payable	1,096,283
Unearned Revenue	11,276,620
Noncurrent Liabilities:	
Due Within One Year	111,092
Due in More Than One Year	8,964,485
Total Liabilities	23,239,094
DEFERRED INFLOWS OF RESOURCES	
OPEB Related Items	17,647
Pension Related Items	2,283,635
Lease Related	2,441,453
Total Deferred Inflows of Resources	4,742,735
NET POSITION	
Net Investment in Capital Assets	225,235,630
Restricted for:	
Public Safety	-
Public Works	33,314,130
Community Development	5,385,260
Unrestricted	25,606,706
Total Net Position	$ 289,541,726

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
General Government	$ 2,329,674	$ 125,608	$ 84,998	$ -	$ (2,119,068)
Public Safety	18,165,480	1,511,188	(200,386)	-	(16,854,678)
Public Works	15,510,734	1,332,697	2,475,623	12,935,771	1,233,357
Community Development	4,845,025	2,135,481	451,265	-	(2,258,279)
Total Governmental Activities	$ 40,850,913	$ 5,104,974	$ 2,811,500	$ 12,935,771	(19,998,668)
General Revenues:					
Taxes:					
Property Tax					15,406,948
Sales and Use Tax					4,017,078
Transient Occupancy Tax					268,259
Franchise Tax					1,930,701
Business Licenses Tax					446,810
Other					63,608
Gain on Sale of Capital Assets					-
Investment Income					(22,924)
Miscellaneous					140,273
Total General Revenues					22,250,753
Change in Net Position					2,252,085
Net Position - Beginning of Year					287,289,641
Net Position - End of Year					$ 289,541,726

The accompanying notes are an integral part of this statement.

City of Highland
Balance Sheet
Governmental Funds
June 30, 2022

	General	Special Revenue: Grants	Special Revenue: Major Grants	Capital Projects: Capital Improvements
ASSETS				
Cash and Investments	$ 17,801,019	$ 12,071,823	$ 9,258,613	$ 7,371,584
Receivables:				
Accounts	1,249,964	-	-	-
Interest	20,976	9,721	-	3,766
Property Taxes	197,912	-	-	-
Loans	-	-	-	-
Leases	1,443,632	-	-	-
Due from Other Governments	924,878	748,115	1,698,994	-
Due from Other Funds	128,224	-	-	-
Advance to Successor Agency	854,643	-	-	-
Prepaid Items	18,097	-	-	-
Total Assets	$ 22,639,345	$ 12,829,659	$ 10,957,607	$ 7,375,350
LIABILITIES				
Accounts Payable	$ 680,263	$ 139,822	$ 202,563	$ 27,770
Accrued Liabilities	72,916	-	-	4,995
Retention Payable	-	13,428	70,830	-
Deposits Payable	1,096,283	-	-	-
Unearned Revenue	526,429	65,976	10,684,215	-
Due to Other Funds	-	-	-	-
Total Liabilities	2,375,891	219,226	10,957,608	32,765
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	135,249	511,994	334,351	-
Lease Related	1,443,632	-	-	-
Total Deferred Inflows of Resources	1,578,881	511,994	334,351	-
FUND BALANCES (DEFICITS)				
Nonspendable	872,740	-	-	-
Restricted	-	12,098,439	-	7,342,585
Committed	-	-	-	-
Assigned	13,880,569	-	-	-
Unassigned	3,931,264	-	(334,352)	-
Total Fund Balances	18,684,573	12,098,439	(334,352)	7,342,585
Total Liabilities, Deferred Inflows and Fund Balances	$ 22,639,345	$ 12,829,659	$ 10,957,607	$ 7,375,350

The accompanying notes are an integral part of this statement.

Capital Projects Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
$ 6,495,616	$ 17,886,948	$ 70,885,603
-	72,789	1,322,753
11,540	28,749	74,752
-	24,669	222,581
-	695,728	695,728
-	997,821	2,441,453
-	1,430,779	4,802,766
-	-	128,224
-	213,662	1,068,305
-	-	18,097
$ 6,507,156	$ 21,351,145	$ 81,660,262
$ 93,892	$ 233,545	$ 1,377,855
-	22,501	100,412
77,422	96,517	258,197
-	-	1,096,283
-	-	11,276,620
-	128,224	128,224
171,314	480,787	14,237,591
-	791,200	1,772,794
-	997,821	2,441,453
-	1,789,021	4,214,247
-	-	872,740
6,335,842	12,922,524	38,699,390
-	-	-
-	6,252,080	20,132,649
-	(93,267)	3,503,645
6,335,842	19,081,337	63,208,424
$ 6,507,156	$ 21,351,145	$ 81,660,262

NOVEMBER 24, 1987
CITY OF HIGHLAND

City of Highland
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

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

Fund Balances of Governmental Funds		$ 63,208,424
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	101,312,623	
Capital Assets, Being Depreciated	222,322,573	
Accumulated Depreciation	(94,048,235)	
		229,586,961
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	(796,702)	
SBCTA Loan Payable	(4,351,331)	
Net Pension Liability	(2,522,435)	
Total OPEB Liability	(1,250,109)	
		(8,920,577)
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		1,088,631
Deferred Inflows Related to Pensions		(2,283,635)
Deferred Outflows Related to OPEB		235,808
Deferred Inflows Related to OPEB		(17,647)
In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,772,794
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.		4,870,967
Net Position of Governmental Activities		$ 289,541,726

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	General Fund	Special Revenue		Capital Projects
		Grants	Major Grants	Capital Improvements
REVENUES				
Taxes	$ 21,881,584	$ -	$ -	$ -
Licenses and Permits	1,217,429	-	-	-
Intergovernmental	345,193	3,788,086	6,842,749	-
Charges for Services	1,697,582	-	-	-
Fines and Forfeitures	89,850	-	-	-
Investment Income	20,836	(46,896)	-	(3,771)
Rental Income	131,042	-	-	-
Miscellaneous	9,229	-	-	-
Total Revenues	25,392,745	3,741,190	6,842,749	(3,771)
EXPENDITURES				
Current:				
General Government	1,780,950	-	20,793	-
Public Safety	13,545,516	-	2,850,000	-
Public Works	1,829,063	79,195	-	247,404
Community Development	2,335,175	-	1,334,012	-
Capital Outlay	171,899	3,031,245	2,698,345	242,413
Total Expenditures	19,662,603	3,110,440	6,903,150	489,817
Excess (Deficiency) of Revenues Over Expenditures	5,730,142	630,750	(60,401)	(493,588)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Transfers In	10,674	-	-	-
Transfers Out	(2,976,037)	(10,674)	-	-
Total Other Financing Sources (Uses)	(2,965,363)	(10,674)	-	-
Net Change in Fund Balances	2,764,779	620,076	(60,401)	(493,588)
Fund Balances, Beginning of Year	15,919,794	11,478,363	(273,951)	7,836,173
Fund Balances, End of Year	$ 18,684,573	$ 12,098,439	$ (334,352)	$ 7,342,585

The accompanying notes are an integral part of this statement.

Capital Projects Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
$ -	$ 1,281,884	$ 23,163,468
-	-	1,217,429
-	4,635,791	15,611,819
428,180	237,108	2,362,870
-	32,037	121,887
(52,432)	(46,686)	(128,949)
-	120,000	251,042
-	77,253	86,482
375,748	6,337,387	42,686,048
-	-	1,801,743
-	1,100,040	17,495,556
-	3,219,532	5,375,194
-	468,214	4,137,401
5,087,959	4,138,860	15,370,721
5,087,959	8,926,646	44,180,615
(4,712,211)	(2,589,259)	(1,494,567)
3,397,965	-	3,397,965
-	2,446,060	2,456,734
-	(145,023)	(3,131,734)
3,397,965	2,301,037	2,722,965
(1,314,246)	(288,222)	1,228,398
7,650,088	19,369,559	61,980,026
$ 6,335,842	$ 19,081,337	$ 63,208,424

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, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	$	1,228,398
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		9,379,073
Depreciation Expense		(5,537,945)
Loss on Disposal		(119,324)
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.		416,952
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		(118,631)
Net Pension Liability		2,517,706
Total OPEB Liability		(197,349)
The issuance of long-term debt (e.g., bonds, loans, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
SBCTA Loan Payable		(3,397,967)
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		(126,212)
Deferred Inflows Related to Pensions		(2,180,838)
Deferred Outflows Related to OPEB		89,726
Deferred Inflows Related to OPEB		(4,329)
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.		302,825
Change in Net Position of Governmental Activities	$	2,252,085

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Net Position
Proprietary Funds
June 30, 2022

	Governmental Activities - Internal Service Funds
ASSETS	
Current:	
Cash and Investments	$ 5,070,574
Receivables:	
Accounts	1,296
Interest	8,247
Total Assets	5,080,117
LIABILITIES	
Current:	
Accounts Payable	47,630
Accrued Liabilities	6,520
Claims Payable	5,000
Total Current Liabilities	59,150
Noncurrent:	
Claims Payable	150,000
Total Noncurrent Liabilities	150,000
Total Liabilities	209,150
NET POSITION	
Unrestricted	4,870,967
Total Net Position	$ 4,870,967

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for Services	$ 689,943
Miscellaneous	385
Total Operating Revenue	690,328
OPERATING EXPENSES	
Salaries and Benefits	120,340
Insurance Premiums	385,849
Claims and Judgments	5,951
Legal Fees	52,735
Administrative Expenses	458,120
Insurance Adjusting Fees	-
Total Operating Expenses	1,022,995
Operating Income (Loss)	(332,667)
NONOPERATING REVENUES (EXPENSES)	
Interest Revenue	(39,508)
Total Nonoperating Revenues (Expenses)	(39,508)
Income (Loss) before Contributions and Transfers	(372,175)
Transfers in	675,000
Change in Net Position	302,825
Total Net Position, Beginning of Year	4,568,142
Total Net Position, End of Year	$ 4,870,967

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	$ 691,293
Cash Payments to Employees for Services	(122,776)
Cash Payments Made to Suppliers/Vendors	(881,476)
Net Cash Provided (Used) by Operating Activities	(312,959)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Other Funds	675,000
Net Cash Provided (Used) by Noncapital Financing Activities	675,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	(44,058)
Net Cash Provided (Used) by Investing Activities	(44,058)
Net Increase (Decrease) in Cash and Cash Equivalents	317,983
Cash and Cash Equivalents, Beginning of the Year	4,752,591
Cash and Cash Equivalents, End of the Year	$ 5,070,574
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (332,667)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Accounts Receivable	965
Increase (Decrease) in Accounts Payable	15,228
Increase (Decrease) in Accrued Liabilities	(2,436)
Increase (Decrease) in Claims Payable	5,951
Total Adjustments	19,708
Total Cash Provided (Used) by Operating Activities	$ (312,959)

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Net Position
Fiduciary Funds
June 30, 2022

	Successor Agency Private-purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Investments	$ 2,423,723	$ -
Restricted Assets:		
Cash and Investments with Fiscal Agents	1,147,243	1,205,297
Total Assets	3,570,966	1,205,297
LIABILITIES		
Accounts Payable	8,376	-
Accrued Interest Payable	443,089	-
Advance from City of Highland	1,068,305	-
Long Term Liabilities:		
Due within one year	2,012,424	-
Due in more than one year	37,846,368	-
Total Liabilities	41,378,562	-
NET POSITION		
Net Position Held for the Benefit of Others	-	1,205,297
Net Position (Deficit) Held in Trust for Successor Agency	(37,807,596)	-
Total Net Position	$ (37,807,596)	$ 1,205,297

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2022

	Successor Agency Private-purpose Trust Fund	Custodial Fund
ADDITIONS		
Taxes and Assessments	$ 3,679,473	$ 364,127
Interest Income	439	-
Total Additions	3,679,912	364,127
DEDUCTIONS		
Administrative Expenses	15,892	-
Interest and Fiscal Charges	1,611,864	3,118,120
Total Deductions	1,627,756	3,118,120
Change in Net Position	2,052,156	(2,753,993)
Net Position, Beginning of Year	(39,859,752)	3,959,290
Net Position, End of Year	$ (37,807,596)	$ 1,205,297

The accompanying notes are an integral part of this statement.

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 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

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.

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.

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.

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.

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 can 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.

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) Leases

Lessor: The City is a lessor for noncancellable leases of land owned by the City. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N) 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.

O) 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P) 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 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.

Q) 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.

R) 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, 2021 Valuation Date, June 30, 2021 Measurement Date, and July 1, 2020 through June 30, 2021 Measurement Period.

S) 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	$	75,956,177
Statement of Fiduciary Net Position:		
Cash and Investments		2,423,723
Cash and Investments with Fiscal Agents		2,352,540
Total Cash and Investments	$	80,732,440

2) CASH AND INVESTMENTS – Continued

Cash and Investments consist of the following:

Cash on Hand	$	1,150
Deposits with Financial Institutions		27,167,874
Investments		53,563,416
Total Cash and Investments	$	80,732,440

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.

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:

		Remaining Maturity		
Investment Type	Total June 30, 2022	12 Months or Less	1 to 2 Years	2 to 5 Years
CAMP	$ 7,403,916	$ 7,403,916	$ -	$ -
LAIF	43,806,961	43,806,961	-	-
Held by Bond Fiscal Agent:				
Money Market Mutual Funds:				
Successor Agency	1,147,243	1,147,243	-	-
CFD	1,205,296	1,205,296	-	-
Total Pooled Investments	$ 53,563,416	$ 53,563,416	$ -	$ -

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.

2) CASH AND INVESTMENTS - Continued

Investment Type	Total June 30, 2022	Minimum Legal Rating	AAA	Not Rated
CAMP	$ 7,403,916	N/A	$ 7,403,916	$ -
LAIF	43,806,961	N/A	-	43,806,961
Held by Bond Fiscal Agent:				
Money Market Mutual Funds:				
Successor Agency	1,147,243	A	-	1,147,243
CFD	1,205,296	A	-	1,205,296
Total Pooled Investments	$ 53,563,416		$ 7,403,916	$ 46,159,500

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, 2022, 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.

2) CASH AND INVESTMENTS - Continued

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.

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, 2022 are as follows:

Due From (Receivable)	Due to (Payable)	Amount
General Fund	Other Governmental Funds	$ 128,224
		$ 128,224

Interfund balances are composed of short-term borrowings to cover deficit cash. Borrowings are expected to be repaid in the 2022-23 fiscal year.

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Advances to Successor Agency consist of the following:

Advances From	Amount
General Fund	$ 854,643
Housing Authority Special Revenue Fund	213,662
Total	$ 1,068,305

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 2021-22 fiscal year consist of the following:

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	$ 2,301,037
	Internal Service Funds	675,000
Other Governmental Funds	General Fund	10,674
	Other Governmental Funds	145,023
		$ 3,131,734

The transfer from the General Fund to the General Capital Financing Fund included $1,500,000 for Future Projects. The General Fund (Fire Department) transferred $519,304 to the Paramedic Department Special Revenue Fund to fund a shortage of medic tax revenue. The General Fund transferred $675,000 to the Internal Service Funds (General Services Fund) to fund future expenditures. The General Fund transferred $213,513 to the Landscape Maintenance District to fund a shortage in operating costs. The General Fund also transferred $68,220 to other nonmajor governmental funds to cover current year operating costs.

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, 2022 is as follows:

Capital Assets, Not Being Depreciated:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land	$ 4,485,030	$ -	$ -	$ -	$ 4,485,030
Rights of Way	89,650,461	-	-	-	89,650,461
Construction in Progress	8,480,446	9,108,516	-	(10,411,830)	7,177,132
Total Capital Assets, Not Being Depreciated	102,615,937	9,108,516	-	(10,411,830)	101,312,623
Capital Assets Being Depreciated:					
Buildings and Improvements	40,354,611	-	-	-	40,354,611
Equipment, Furniture, and Software	4,811,137	171,899	-	-	4,983,036
Vehicles	3,399,688	-	-	-	3,399,688
Infrastructure - Road System	143,336,761	66,483	(406,930)	10,411,830	153,408,144
Infrastructure - Storm Drains	20,144,919	32,175	-	-	20,177,094
Total Capital Assets Being Depreciated	212,047,116	270,557	(406,930)	10,411,830	222,322,573
Less Accumulated Depreciation:					
Buildings and Improvements	(17,718,384)	(1,091,560)	-	-	(18,809,944)
Equipment, Furniture, and Software	(3,526,713)	(280,962)	-	-	(3,807,675)
Vehicles	(1,555,950)	(168,842)	-	-	(1,724,792)
Infrastructure - Road System	(62,100,509)	(3,718,091)	287,606	-	(65,530,994)
Infrastructure - Storm Drains	(3,896,340)	(278,490)	-	-	(4,174,830)
Total Accumulated Depreciation	(88,797,896)	(5,537,945)	287,606	-	(94,048,235)
Net Capital Assets Being Depreciated	123,249,220	(5,267,388)	(119,324)	10,411,830	128,274,338
Total Governmental Activities Capital Assets	$ 225,865,157	$ 3,841,128	$ (119,324)	$ -	$ 229,586,961

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

General Government	$ 135,829
Public Safety	669,924
Public Works	4,024,568
Community Development	707,624
Total	$ 5,537,945

5) LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2022:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Claims Payable	$ 149,049	$ 5,951	$ -	$ 155,000	$ 5,000
Compensated Absences	678,071	320,997	202,366	796,702	106,092
SBCTA Loan Payable	953,364	3,397,967	-	4,351,331	-
Total OPEB Liability	1,052,760	197,349	-	1,250,109	-
Net Pension Liability	5,040,141	-	2,517,706	2,522,435	-
Total	$ 7,873,385	$ 3,922,264	$ 2,720,072	$ 9,075,577	$ 111,092

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, 2022 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, 2022 for general liability claims amounted to $155,000 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, 2022, this liability, to be paid in future years primarily from the general fund, is $796,702.

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, 2022 is equal to $4,351,331.

6) FIDUCIARY FUND LONG-TERM DEBT

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
2004B Refunding	$ 1,015,000	$ -	$ 230,000	$ 785,000	$ 250,000
2015A	10,435,000	-	395,000	10,040,000	410,000
Unamortized Premium	795,886	-	58,112	737,774	58,112
2017 Refunding	29,925,000	-	1,240,000	28,685,000	1,270,000
Unamortized Discount	(413,294)	-	24,312	(388,982)	24,312
Total	$ 41,757,592	$ -	$ 1,947,424	$ 39,858,792	$ 2,012,424

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, 2022, the outstanding balance of the bonds was $785,000.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	$ 250,000	$ 37,290	$ 287,290
2024	260,000	22,883	282,883
2025	275,000	7,769	282,769
Totals	$ 785,000	$ 67,941	$ 852,941

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.

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, 2022, the outstanding balance of the bonds was $10,040,000, with future debt service requirements as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	$ 10,040,000	$ 2,999,688	$ 13,039,688

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, 2022, the outstanding balance of the bonds was $28,685,000. Future debt service requirements for the 2017 Bonds are as follows:

6) FIDUCIARY FUND LONG-TERM DEBT - Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
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	$ 28,685,000	$ 9,851,519	$ 38,536,519

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, 2020 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2020 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, 2022, are summarized as follows:

7) PENSION PLAN - Continued

	Miscellaneous	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	11.6% + $429,317	7.73% + $3,980

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 $433,297 in fiscal year 2022.

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, 2022, the City reported a net pension liability for its proportionate shares of the net pension liability of the Plan of $2,522,435.

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2021 and 2022 was as follows:

Proportion - June 30, 2021	0.04632%
Proportion - June 30, 2022	0.04664%
Change - Increase (Decrease)	0.00032%

For the year ended June 30, 2022, the City recognized pension expense of $537,796. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

7) PENSION PLAN - Continued

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 748,452	$ -
Differences between actual and expected experience	282,864	-
Changes in assumptions	-	-
Differences between employer's contributions and proportionate share of contributions	-	81,682
Change in employer's proportions	57,315	-
Net differences between projected and actual earnings on plan investments	-	2,201,953
Total	$ 1,088,631	$ 2,283,635

The deferred outflows of resources related to contributions subsequent to the measurement date of $748,452 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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,	
2023	$ (402,023)
2024	(437,048)
2025	(495,878)
2026	(608,507)
2027	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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.

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.

Subsequent Events - On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

7) PENSION PLAN - Continued

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

The following presents the City's proportionate share of the net pension liability for 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	$	5,525,038
Current Discount Rate		7.15%
Net Pension Liability	$	2,522,435
1% Increase		8.15%
Net Pension Liability	$	40,226

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, 2022, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2022.

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 2021/22). The City does not provide dental and vision benefits.

Employees Covered by Benefit Terms – As of the July 1, 2021 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	36
Total	46

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

8) OTHER POST EMPLOYMENT BENEFITS – Continued

Total OPEB Liability – The City's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation dated July 1, 2021 using the entry age, level percent of pay cost method, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2021
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	5.80% for 2021, 5.60% for 2022, 5.40% for 2023, and 5.20% for 2024-2069, and 4.00% for 2070 and later years; Medicare ages: 4.00% for all years
Inflation Rate	2.75%
Salary Increases	3.00%
Discount Rate	1.92% - Fidelity GO AA 20 Years Municipal Index

Discount Rate – The discount rate used to measure the total OPEB liability was 1.92 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.

Changes in the Total OPEB Liability

	Total OPEB Liability (TOL)
Balance at June 30, 2021 (June 30, 2020 measurement date)	$ 1,052,760
Changes in the year:	
Service cost	87,235
Interest on the total OPEB liability	27,404
Difference between expected and actual experience	(8,350)
Changes in assumptions or other inputs	134,241
Benefit payments, including implicit subsidy	(43,181)
Net changes	197,349
Balance at June 30, 2022 (June 30, 2021 measurement date)	$ 1,250,109

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 (1.92%)	Discount Rate (2.92%)	1% Increase (3.92%)
Total OPEB liability	$ 1,443,328	$ 1,250,109	$ 1,094,984

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the City, 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:

8) OTHER POST EMPLOYMENT BENEFITS – Continued

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	$ 1,091,629	$ 1,250,109	$ 1,458,588

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

For the year ended June 30, 2022, the City recognized OPEB expense of $152,533. At June 30, 2022, 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	$ 26,200	$ -
Difference between expected and actual experience	-	17,647
Changes of Assumptions	209,608	-
Total	$ 235,808	$ 17,647

The $26,200 reported as deferred outflows related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal ending June 30, 2023. Other amounts reported as deferred outflows and inflows related to OPEB will be recognized as expense as follows:

Year Ending June 30,	
2023	$ 37,894
2024	37,894
2025	37,894
2026	36,530
2027	28,598
Thereafter	13,151

9) RISK MANAGEMENT

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

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

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

9) RISK MANAGEMENT - Continued

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

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

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

The workers' compensation and general liability claims administrators have estimated liabilities for probable future payments including an estimate for claims incurred but not reported. Claims outstanding as of June 30, 2022, and changes during the past fiscal year was as follows:

General Liability Claims	$ 155,000
Total	$ 155,000

Fiscal Year	Claims Payable Beginning of Year	Additions	Deletions	Claims Payable End of Year
2021-22	$ 149,049	$ 5,951	$ -	$ 155,000
2020-21	153,439	-	4,390	149,049

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.

10) DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT - Continued

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, 2022, 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) LEASES

Lease Receivable - In prior fiscal years, the City entered into various land lease agreements with third parties to lease pieces of land owned by the City. The initial lease terms ranged from 20 to 55 years. The City currently receives monthly payments from all leases of $21,090. The City recognized $155,172 in lease revenue and $97,910 in interest revenue during the current fiscal year related to the various leases. As of June 30, 2022, the City's receivable for lease payments was $2,441,453. Also, the City has a deferred inflow of resources associated with leases that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was $2,441,453.

13) 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.

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.

13) FUND BALANCE - Continued

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, 2022, are presented below:

		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	$ 18,097	$ -	$ -	$ -	$ -	$ -	$ 18,097
Long-term Advances & Loans	854,643	-	-	-	-	-	854,643
Restricted:							
Public Safety Operations	-	-	-	-	-	-	-
Highways and Street Projects	-	12,098,439	-	7,342,585	-	3,694,888	23,135,912
Parks and Recreation	-	-	-	-	-	244,362	244,362
Capital Improvements	-	-	-	-	6,335,842	4,417,791	10,753,633
Low and Moderate Income Housing Activities	-	-	-	-	-	4,565,483	4,565,483
Assigned:							
Public Safety:							
Vehicle Replacement	2,800,000	-	-	-	-	-	2,800,000
Equipment Replacement	250,000	-	-	-	-	-	250,000
Other Purposes:							
Vehicle Replacement	475,000	-	-	-	-	-	475,000
Equipment Replacement	200,000	-	-	-	-	-	200,000
Compensated Absences	796,702	-	-	-	-	-	796,702
Net Pension Liability	1,822,000	-	-	-	-	-	1,822,000
OPEB Liability	413,000	-	-	-	-	-	413,000
Capital Projects	636,487	-	-	-	-	6,252,080	6,888,567
Technical Enhancements	400,000	-	-	-	-	-	400,000
Service Enhancements	1,237,380	-	-	-	-	-	1,237,380
City Hall	200,000	-	-	-	-	-	200,000
Fire Facilities	4,650,000	-	-	-	-	-	4,650,000
Unassigned	3,931,264	-	(334,352)	-	-	(93,267)	3,503,645
Total Fund Balance (Deficit)	$ 18,684,573	$ 12,098,439	$ (334,352)	$ 7,342,585	$ 6,335,842	$ 19,081,337	$ 63,208,424

14) FUND DEFICITS

Deficits in nonmajor funds at June 30, 2022 included the following: Article 3 Special Revenue Fund - $83,030; CDBG Special Revenue Fund - $10,237. 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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Highland
Budgetary Comparison Schedule By Department
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes	$ 21,384,450	$ 21,384,450	$ 21,881,584	$ 497,134
Licenses and Permits	604,225	604,225	1,217,429	613,204
Intergovernmental	298,500	298,500	345,193	46,693
Charges for Services	1,370,190	1,523,450	1,697,582	174,132
Fines and Forfeitures	50,000	65,000	89,850	24,850
Investment Income	105,000	105,000	20,836	(84,164)
Rental Income	131,070	131,070	131,042	(28)
Miscellaneous	21,000	6,000	9,229	3,229
Total Revenues	23,964,435	24,117,695	25,392,745	1,275,050
EXPENDITURES:				
Current:				
General Government:				
City Council	200,885	200,885	177,951	22,934
City Clerk	348,250	348,250	320,682	27,568
General Government	690,610	690,610	620,678	69,932
Personnel	67,725	67,725	57,369	10,356
Finance	646,025	646,025	604,269	41,756
Public Safety:				
Police Department	11,705,615	11,858,875	10,828,656	1,030,219
Animal Control	472,910	472,910	468,518	4,392
Fire Department	3,679,200	3,689,640	2,248,342	1,441,298
Public Works:				
Engineering	575,090	703,305	637,414	65,891
Parks	1,123,960	1,074,535	1,052,948	21,587
Graffiti	124,125	128,050	126,436	1,614
Trails	14,500	14,500	12,265	2,235
Community Development:				
Planning	808,780	808,780	715,786	92,994
Public Services	526,825	526,825	458,461	68,364
Building and Safety	696,075	696,075	591,946	104,129
Code Enforcement	381,895	475,395	474,926	469
Community Volunteer Services	102,430	102,430	94,057	8,373
Capital Outlay	1,017,200	1,117,200	171,899	945,301
Total Expenditures	23,182,100	23,622,015	19,662,603	3,959,412
Excess (Deficiency) of Revenues over Expenditures	782,335	495,680	5,730,142	5,234,462
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	10,674	(10,674)
Transfers Out	(1,797,450)	(4,253,030)	(2,976,037)	1,276,993
Total Other Financing Sources (Uses)	(1,797,450)	(4,253,030)	(2,965,363)	1,266,319
Net Change in Fund Balance	(1,015,115)	(3,757,350)	2,764,779	6,522,129
Fund Balance, Beginning of Year	15,919,794	15,919,794	15,919,794	-
Fund Balance, End of Year	$ 14,904,679	$ 12,162,444	$ 18,684,573	$ 6,522,129

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Grants
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ 18,597,000	$ 18,597,000	$ 3,788,086	$(14,808,914)
Investment Income	-	-	(46,896)	(46,896)
Miscellaneous	-	-	-	-
Total Revenues	18,597,000	18,597,000	3,741,190	(14,855,810)
EXPENDITURES:				
Current:				
Public Works	-	-	79,195	(79,195)
Capital Outlay	23,128,000	23,128,000	3,031,245	20,096,755
Total Expenditures	23,128,000	23,128,000	3,110,440	20,017,560
Excess (Deficiency) of Revenues over Expenditures	(4,531,000)	(4,531,000)	630,750	5,161,750
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(10,674)	(10,674)
Total Other Financing Sources (Uses)	-	-	(10,674)	(10,674)
Net Change in Fund Balance	(4,531,000)	(4,531,000)	620,076	5,151,076
Fund Balance, Beginning of Year	11,478,363	11,478,363	11,478,363	-
Fund Balance, End of Year	$ 6,947,363	$ 6,947,363	$ 12,098,439	$ 5,151,076

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Major Grants
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ 11,655,000	$ 11,655,000	$ 6,842,749	$ (4,812,251)
Miscellaneous	-	-	-	-
Total Revenues	11,655,000	11,655,000	6,842,749	(4,812,251)
EXPENDITURES:				
Current:				
General Government	-	-	20,793	(20,793)
Public Safety	-	2,850,000	2,850,000	-
Public Works	-	-	0	-
Community Development	-	4,095,055	1,334,012	2,761,043
Capital Outlay	11,655,000	12,157,500	2,698,345	9,459,155
Total Expenditures	11,655,000	19,102,555	6,903,150	12,199,405
Excess (Deficiency) of Revenues over Expenditures	-	(7,447,555)	(60,401)	7,387,154
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(7,447,555)	(60,401)	7,387,154
Fund Balance, Beginning of Year	(273,951)	(273,951)	(273,951)	-
Fund Balance, End of Year	$ (273,951)	$ (7,721,506)	$ (334,352)	$ 7,387,154

City of Highland
Required Supplementary Information
Year Ended June 30, 2022

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

	Measurement Period				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 87,235	$ 66,100	$ 57,152	$ 25,712	$ 24,963
Interest on total OPEB liability	27,404	29,999	30,820	25,599	25,002
Difference between expected and actual experience	(8,350)	-	(18,868)	(40,757)	-
Changes in Assumptions	134,241	83,368	65,412	-	-
Benefit payments, including implicit subsidy	(43,181)	(37,784)	(35,035)	(33,347)	(28,484)
Net change in total OPEB liability	197,349	141,683	99,481	(22,793)	21,481
Total OPEB liability - beginning	1,052,760	911,077	811,596	834,389	812,908
Total OPEB liability - ending	$ 1,250,109	$ 1,052,760	$ 911,077	$ 811,596	$ 834,389
Covered-employee payroll	$ 3,119,466	$ 2,858,967	$ 2,811,994	$ 2,668,338	$ 2,668,273
Total OPEB liability as a percentage of covered-employee payroll	40.07%	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%. In 2021, the accounting discount rate changed from 2.45% to 1.92%.

City of Highland
Required Supplementary Information
Year Ended June 30, 2022

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
2021	0.04664%	$ 2,522,435	$ 3,119,466	80.86%	88.91%
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%.

City of Highland
Required Supplementary Information
Year Ended June 30, 2022

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
2022	$ 748,452	$ (748,452)	$ -	$ 3,142,359	23.82%
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, 6/30/20

City of Highland
Notes to Required Supplementary Information
Year Ended June 30, 2022

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 8, 2021 for fiscal years 2021-22 and 2022-23. 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 $14,149,880 for supplemental appropriations during the year ended June 30, 2022.

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

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Capital Improvements
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment Income	$ 45,000	$ (3,771)	$ (48,771)
Miscellaneous	-	-	-
Total Revenues	45,000	(3,771)	(48,771)
EXPENDITURES:			
Current:			
Public Works	247,425	247,404	21
Capital Outlay	3,310,000	242,413	3,067,587
Total Expenditures	3,557,425	489,817	3,067,608
Excess (Deficiency) of Revenues over Expenditures	(3,512,425)	(493,588)	3,018,837
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(3,512,425)	(493,588)	3,018,837
Fund Balance, Beginning of Year	7,836,173	7,836,173	-
Fund Balance, End of Year	$ 4,323,748	$ 7,342,585	$ 3,018,837

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Development Impact Fees
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	$ 225,000	$ 428,180	$ 203,180
Miscellaneous	-	-	-
Investment Income	55,000	(52,432)	(107,432)
Total Revenues	280,000	375,748	95,748
EXPENDITURES:			
Current:			
Public Works	-	-	-
Capital Outlay	5,973,500	5,087,959	885,541
Total Expenditures	5,973,500	5,087,959	885,541
Excess (Deficiency) of Revenues over Expenditures	(5,693,500)	(4,712,211)	981,289
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	-	3,397,965	3,397,965
Total Other Financing Sources (Uses)	-	3,397,965	3,397,965
Net Change in Fund Balance	(5,693,500)	(1,314,246)	4,379,254
Fund Balance, Beginning of Year	7,650,088	7,650,088	-
Fund Balance, End of Year	$ 1,956,588	$ 6,335,842	$ 4,379,254

NON-MAJOR GOVERNMENTAL FUNDS

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).

NOVEMBER 24, 1987
CITY OF HIGHLAND

City of Highland
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2022

	Special Revenue					
	Measure I	Traffic Safety	Gas Tax	Article 3	CDBG	Developer Fees
ASSETS						
Cash and Investments	$ 1,573,346	$ -	$ 817,950	$ -	$ -	$ 4,409,657
Receivables:						
Accounts	-	-	-	-	-	-
Interest	1,737	-	1,657	-	-	8,134
Property Taxes	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Leases	-	-	-	-	-	-
Due From Other Governments	277,350	5,340	305,445	92,655	33,946	-
Advance to Successor Agency	-	-	-	-	-	-
Total Assets	$ 1,852,433	$ 5,340	$ 1,125,052	$ 92,655	$ 33,946	$ 4,417,791
LIABILITIES						
Accounts Payable	$ 25,600	$ 1,285	$ 65,261	$ 7,066	$ 1,900	$ -
Accrued Liabilities	-	-	13,437	-	2,947	-
Retention Payable	49,356	-	39,910	-	-	-
Due to Other Funds	-	4,055	-	85,589	29,100	-
Total Liabilities	74,956	5,340	118,608	92,655	33,947	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	83,030	10,236	-
Lease Related	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	83,030	10,236	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	1,777,477	-	1,006,444	-	-	4,417,791
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(83,030)	(10,237)	-
Total Fund Balances	1,777,477	-	1,006,444	(83,030)	(10,237)	4,417,791
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,852,433	$ 5,340	$ 1,125,052	$ 92,655	$ 33,946	$ 4,417,791

Special Revenue							
Landscape Maintenance District	Street Light District	Community Trails District	Parks Maintenance District	FEMA	AQMD	COPS	Street and Storm Drain Maintenance
$ 40,757	$ 43,184	$ 37,708	$ 216,047	$ -	$ 321,396	$ -	$ 559,393
-	-	-	-	-	-	-	-
-	-	-	196	-	567	-	1,025
7,275	5,437	220	1,556	-	-	-	159
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	18,109	-	-
-	-	-	-	-	-	-	-
$ 48,032	$ 48,621	$ 37,928	$ 217,799	$ -	$ 340,072	$ -	$ 560,577
$ 46,910	$ 31,672	$ -	$ 10,243	$ -	$ 4,520	$ -	$ 2,025
1,122	-	-	1,122	-	-	-	86
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
48,032	31,672	-	11,365	-	4,520	-	2,111
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,949	37,928	206,434	-	335,552	-	558,466
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,949	37,928	206,434	-	335,552	-	558,466
$ 48,032	$ 48,621	$ 37,928	$ 217,799	$ -	$ 340,072	$ -	$ 560,577

(Continued)

City of Highland
Combining Balance Sheet
Non-major Governmental Funds (Continued)
June 30, 2022

	Special Revenue			Capital Projects		Total Non-major Governmental Funds
	Justice Assistance Grant	Paramedic Department	Housing Authority	General Capital Financing	Community Facilities District	
ASSETS						
Cash and Investments	$ -	$ 11,930	$ 3,651,990	$ 6,203,590	$ -	$ 17,886,948
Receivables:						
Accounts	-	-	8,276	54,433	10,080	72,789
Interest	-	-	6,661	8,772	-	28,749
Property Taxes	-	3,662	-	-	6,360	24,669
Loans	-	-	695,728	-	-	695,728
Leases	-	-	997,821	-	-	997,821
Due From Other Governments	-	118,984	578,950	-	-	1,430,779
Advance to Successor Agency	-	-	213,662	-	-	213,662
Total Assets	$ -	$ 134,576	$ 6,153,088	$ 6,266,795	$ 16,440	$ 21,351,145
LIABILITIES						
Accounts Payable	$ -	$ 15,592	$ 7,512	$ 6,999	$ 6,960	$ 233,545
Accrued Liabilities	-	-	3,322	465	-	22,501
Retention Payable	-	-	-	7,251	-	96,517
Due to Other Funds	-	-	-	-	9,480	128,224
Total Liabilities	-	15,592	10,834	14,715	16,440	480,787
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	118,984	578,950	-	-	791,200
Lease Related	-	-	997,821	-	-	997,821
Total Deferred Inflows of Resources	-	118,984	1,576,771	-	-	1,789,021
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	4,565,483	-	-	12,922,524
Assigned	-	-	-	6,252,080	-	6,252,080
Unassigned	-	-	-	-	-	(93,267)
Total Fund Balances	-	-	4,565,483	6,252,080	-	19,081,337
Total Liabilities, Deferred Inflows and Fund Balances	$ -	$ 134,576	$ 6,153,088	$ 6,266,795	$ 16,440	$ 21,351,145

NOVEMBER 24, 1987
CITY OF HIGHLAND

City of Highland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2022

	Special Revenue					
	Measure I	Traffic Safety	Gas Tax	Article 3	CDBG	Developer Fees
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	1,458,861	-	2,440,634	37,087	451,263	-
Charges for Services	-	-	-	-	-	107,125
Fines and Forfeitures	-	32,037	-	-	-	-
Investment Income	(5,616)	-	(2,159)	-	-	(39,236)
Rental Income	-	-	-	-	-	-
Miscellaneous	-	-	7,868	-	-	-
Total Revenues	1,453,245	32,037	2,446,343	37,087	451,263	67,889
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	54,270	-	-	-	-
Public Works	-	-	1,882,888	-	-	-
Community Development	-	-	-	-	218,428	-
Capital Outlay	2,440,693	-	1,437,555	45,551	-	92,597
Total Expenditures	2,440,693	54,270	3,320,443	45,551	218,428	92,597
Excess (Deficiency) of Revenues Over Expenditures	(987,448)	(22,233)	(874,100)	(8,464)	232,835	(24,708)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	-	-	-	-	-	-
Transfers In	-	17,611	145,023	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	17,611	145,023	-	-	-
Net Change in Fund Balances	(987,448)	(4,622)	(729,077)	(8,464)	232,835	(24,708)
Fund Balances, Beginning	2,764,925	4,622	1,735,521	(74,566)	(243,072)	4,442,499
Fund Balances, End of Year	$ 1,777,477	$ -	$ 1,006,444	$ (83,030)	$ (10,237)	$ 4,417,791

Special Revenue							
Landscape Maintenance District	Street Light District	Community Trails District	Parks Maintenance District	FEMA	AQMD	COPS	Street and Storm Drain Maintenance
$ 439,783	$ 328,883	$ 13,313	$ 94,070	$ -	$ -	$ -	$ 40,699
-	-	-	-	-	-	-	-
-	-	-	-	-	70,857	161,330	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(938)	-	(2,730)	-	(5,139)
-	-	-	-	-	-	-	-
-	13,545	-	-	-	-	-	-
439,783	342,428	13,313	93,132	-	68,127	161,330	35,560
-	-	-	-	-	-	-	-
-	-	-	-	-	-	161,330	-
566,467	414,806	5,238	126,718	-	63,525	-	9,187
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
566,467	414,806	5,238	126,718	-	63,525	161,330	9,187
(126,684)	(72,378)	8,075	(33,586)	-	4,602	-	26,373
-	-	-	-	-	-	-	-
213,513	-	-	50,609	-	-	-	-
-	-	-	-	-	-	-	-
213,513	-	-	50,609	-	-	-	-
86,829	(72,378)	8,075	17,023	-	4,602	-	26,373
(86,829)	89,327	29,853	189,411	-	330,950	-	532,093
$ -	$ 16,949	$ 37,928	$ 206,434	$ -	$ 335,552	$ -	$ 558,466

(Continued)

City of Highland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds (Continued)
Year Ended June 30, 2022

	Special Revenue			Capital Projects		Total
	Justice Assistance Grant	Paramedic Department	Housing Authority	General Capital Financing	Community Facilities District	Non-major Governmental Funds
REVENUES						
Taxes	$ -	$ 365,136	$ -	$ -	$ -	$ 1,281,884
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	15,759	-	-	-	-	4,635,791
Charges for Services	-	-	-	129,983	-	237,108
Fines and Forfeitures	-	-	-	-	-	32,037
Investment Income	-	-	52,891	(43,759)	-	(46,686)
Rental Income	-	-	120,000	-	-	120,000
Miscellaneous	-	-	45,760	-	10,080	77,253
Total Revenues	15,759	365,136	218,651	86,224	10,080	6,337,387
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	884,440	-	-	-	1,100,040
Public Works	-	-	-	140,623	10,080	3,219,532
Community Development	-	-	249,786	-	-	468,214
Capital Outlay	-	-	-	122,464	-	4,138,860
Total Expenditures	-	884,440	249,786	263,087	10,080	8,926,646
Excess (Deficiency) of Revenues Over Expenditures	15,759	(519,304)	(31,135)	(176,863)	-	(2,589,259)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	-	-	-	-	-	-
Transfers In	-	519,304	-	1,500,000	-	2,446,060
Transfers Out	-	-	-	(145,023)	-	(145,023)
Total Other Financing Sources (Uses)	-	519,304	-	1,354,977	-	2,301,037
Net Change in Fund Balances	15,759	-	(31,135)	1,178,114	-	(288,222)
Fund Balances, Beginning	(15,759)	-	4,596,618	5,073,966	-	19,369,559
Fund Balances, End of Year	$ -	$ -	$ 4,565,483	$ 6,252,080	$ -	$ 19,081,337

City of Highland
Budgetary Comparison Schedule
Measure I - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	$ 1,112,625	$ 1,458,861	$ 346,236
Investment Income	18,000	(5,616)	(23,616)
Total Revenues	1,130,625	1,453,245	322,620
EXPENDITURES:			
Current:			
Public Works	-	-	-
Capital Outlay	2,747,000	2,440,693	306,307
Total Expenditures	2,747,000	2,440,693	306,307
Excess (Deficiency) of Revenues over Expenditures	(1,616,375)	(987,448)	628,927
Fund Balance, Beginning of Year	2,764,925	2,764,925	-
Fund Balance, End of Year	$ 1,148,550	$ 1,777,477	$ 628,927

City of Highland
Budgetary Comparison Schedule
Traffic Safety - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Fines and Forfeitures	$ 61,000	$ 32,037	$ (28,963)
Investment Income	-	-	-
Total Revenues	61,000	32,037	(28,963)
EXPENDITURES:			
Current:			
Public Safety	56,000	54,270	1,730
Capital Outlay	-	-	-
Total Expenditures	56,000	54,270	1,730
Excess (Deficiency) of Revenues over Expenditures	5,000	(22,233)	(27,233)
OTHER FINANCING SOURCES (USES)			
Transfers In	17,615	17,611	(4)
Total Other Financing Sources (Uses)	17,615	17,611	(4)
Net Change in Fund Balances	22,615	(4,622)	(27,237)
Fund Balance, Beginning of Year	4,622	4,622	-
Fund Balance, End of Year	$ 27,237	$ -	$ (27,237)

City of Highland
Budgetary Comparison Schedule
Gas Tax - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	$ 2,516,950	$ 2,440,634	$ (76,316)
Investment Income	10,000	(2,159)	(12,159)
Miscellaneous	20,000	7,868	(12,132)
Total Revenues	2,546,950	2,446,343	(100,607)
EXPENDITURES:			
Current:			
Public Works	1,867,875	1,882,888	(15,013)
Capital Outlay	1,475,100	1,437,555	37,545
Total Expenditures	3,342,975	3,320,443	22,532
Excess (Deficiency) of Revenues over Expenditures	(796,025)	(874,100)	(78,075)
OTHER FINANCING SOURCES (USES)			
Transfers In	145,025	145,023	(2)
Total Other Financing Sources (Uses)	145,025	145,023	(2)
Net Change in Fund Balances	(651,000)	(729,077)	(78,077)
Fund Balance, Beginning of Year	1,735,521	1,735,521	-
Fund Balance, End of Year	$ 1,084,521	$ 1,006,444	$ (78,077)

City of Highland
Budgetary Comparison Schedule
Article 3 - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 286,000	$ 37,087	$ (248,913)
Total Revenues	286,000	37,087	(248,913)
EXPENDITURES:			
Capital Outlay	286,000	45,551	240,449
Total Expenditures	286,000	45,551	240,449
Excess (Deficiency) of Revenues over Expenditures	-	(8,464)	(8,464)
Fund Balance, Beginning of Year	(74,566)	(74,566)	-
Fund Balance, End of Year	$ (74,566)	$ (83,030)	$ (8,464)

City of Highland
Budgetary Comparison Schedule
CDBG - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	$ 583,700	$ 451,263	$ (132,437)
Total Revenues	583,700	451,263	(132,437)
EXPENDITURES:			
Current:			
Community Development	583,700	218,428	365,272
Capital Outlay	-	-	-
Total Expenditures	583,700	218,428	365,272
Excess (Deficiency) of Revenues over Expenditures	-	232,835	232,835
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	232,835	232,835
Fund Balance, Beginning of Year	(243,072)	(243,072)	-
Fund Balance, End of Year	$ (243,072)	$ (10,237)	$ 232,835

City of Highland
Budgetary Comparison Schedule
Developer Fees - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	$ 10,000	$ 107,125	$ 97,125
Investment Income	35,000	(39,236)	(74,236)
Total Revenues	45,000	67,889	22,889
EXPENDITURES:			
Current:			
Public Works	34,365	-	34,365
Capital Outlay	174,000	92,597	81,403
Total Expenditures	208,365	92,597	115,768
Excess (Deficiency) of Revenues over Expenditures	(163,365)	(24,708)	138,657
Fund Balance, Beginning of Year	4,442,499	4,442,499	-
Fund Balance, End of Year	$ 4,279,134	$ 4,417,791	$ 138,657

City of Highland
Budgetary Comparison Schedule
Landscape Maintenance District - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 410,000	$ 439,783	$ 29,783
Total Revenues	410,000	439,783	29,783
EXPENDITURES:			
Current:			
Public Works	603,500	566,467	37,033
Total Expenditures	603,500	566,467	37,033
Excess (Deficiency) of Revenues over Expenditures	(193,500)	(126,684)	66,816
OTHER FINANCING SOURCES (USES)			
Transfers In	213,540	213,513	(27)
Total Other Financing Sources (Uses)	213,540	213,513	(27)
Net Change in Fund Balances	20,040	86,829	66,789
Fund Balance, Beginning of Year	(86,829)	(86,829)	-
Fund Balance, End of Year	$ (66,789)	$ -	$ 66,789

City of Highland
Budgetary Comparison Schedule
Street Light District - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 346,000	$ 328,883	$ (17,117)
Miscellaneous	25,000	13,545	(11,455)
Total Revenues	371,000	342,428	(28,572)
EXPENDITURES:			
Current:			
Public Works	421,200	414,806	6,394
Total Expenditures	421,200	414,806	6,394
Excess (Deficiency) of Revenues over Expenditures	(50,200)	(72,378)	(22,178)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(50,200)	(72,378)	(22,178)
Fund Balance, Beginning of Year	89,327	89,327	-
Fund Balance, End of Year	$ 39,127	$ 16,949	$ (22,178)

City of Highland
Budgetary Comparison Schedule
Community Trails - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 12,500	$ 13,313	$ 813
Total Revenues	12,500	13,313	813
EXPENDITURES:			
Current:			
Public Works	27,000	5,238	21,762
Total Expenditures	27,000	5,238	21,762
Excess (Deficiency) of Revenues over Expenditures	(14,500)	8,075	22,575
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(14,500)	8,075	22,575
Fund Balance, Beginning of Year	29,853	29,853	-
Fund Balance, End of Year	$ 15,353	$ 37,928	$ 22,575

City of Highland
Budgetary Comparison Schedule
Parks Maintenance District - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 88,500	$ 94,070	$ 5,570
Investment Income	800	(938)	(1,738)
Total Revenues	89,300	93,132	3,832
EXPENDITURES:			
Current:			
Public Works	127,060	126,718	342
Total Expenditures	127,060	126,718	342
Excess (Deficiency) of Revenues over Expenditures	(37,760)	(33,586)	4,174
OTHER FINANCING SOURCES (USES)			
Transfers In	49,425	50,609	1,184
Total Other Financing Sources (Uses)	49,425	50,609	1,184
Net Change in Fund Balances	11,665	17,023	5,358
Fund Balance, Beginning of Year	189,411	189,411	-
Fund Balance, End of Year	$ 201,076	$ 206,434	$ 5,358

City of Highland
Budgetary Comparison Schedule
AQMD - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	$ 72,000	$ 70,857	$ (1,143)
Investment Income	2,500	(2,730)	(5,230)
Total Revenues	74,500	68,127	(6,373)
EXPENDITURES:			
Current			
Public Works	43,900	63,525	(19,625)
Capital Outlay	45,000	-	45,000
Total Expenditures	88,900	63,525	25,375
Excess (Deficiency) of Revenues over Expenditures	(14,400)	4,602	19,002
Fund Balance, Beginning of Year	330,950	330,950	-
Fund Balance, End of Year	$ 316,550	$ 335,552	$ 19,002

City of Highland
Budgetary Comparison Schedule
COPS - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	$ 161,330	$ 161,330	$ -
Total Revenues	161,330	161,330	-
EXPENDITURES			
Current:			
Public Safety	161,330	161,330	-
Total Expenditures	161,330	161,330	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	-

City of Highland
Budgetary Comparison Schedule
Street and Storm Drain Maintenance - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 40,300	$ 40,699	$ 399
Investment Income	3,300	(5,139)	(8,439)
Total Revenues	43,600	35,560	(8,040)
EXPENDITURES:			
Current:			
Public Works	31,865	9,187	22,678
Total Expenditures	31,865	9,187	22,678
Excess (Deficiency) of Revenues over Expenditures	11,735	26,373	14,638
Fund Balance, Beginning of Year	532,093	532,093	-
Fund Balance, End of Year	$ 543,828	$ 558,466	$ 14,638

City of Highland
Budgetary Comparison Schedule
Justice Assistance Grant - Special Revenue Fund
Year Ended June 30, 2022

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

City of Highland
Budgetary Comparison Schedule
Paramedic Department - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 360,000	$ 365,136	$ 5,136
Miscellaneous	-	-	-
Total Revenues	360,000	365,136	5,136
EXPENDITURES:			
Current:			
Public Safety	2,127,450	884,440	1,243,010
Capital Outlay	-	-	-
Total Expenditures	2,127,450	884,440	1,243,010
Excess (Deficiency) of Revenues over Expenditures	(1,767,450)	(519,304)	1,248,146
OTHER FINANCING SOURCES:			
Transfers In	1,767,450	519,304	(1,248,146)
Total Other Financing Sources (Uses)	1,767,450	519,304	(1,248,146)
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

City of Highland
Budgetary Comparison Schedule
Housing Authority - Special Revenue Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment Income	$ 56,910	$ 52,891	$ (4,019)
Rental Income	120,000	120,000	-
Miscellaneous	4,500	45,760	41,260
Total Revenues	181,410	218,651	37,241
EXPENDITURES:			
Current:			
Community Development	313,290	249,786	63,504
Total Expenditures	313,290	249,786	63,504
Excess (Deficiency) of Revenues over Expenditures	(131,880)	(31,135)	100,745
Fund Balance, Beginning of Year (Restated)	4,596,618	4,596,618	-
Fund Balance, End of Year	$ 4,464,738	$ 4,565,483	$ 100,745

City of Highland
Budgetary Comparison Schedule
General Capital Financing - Capital Projects Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	$ 100,000	$ 129,983	$ 29,983
Investment Income	158,645	(43,759)	(202,404)
Miscellaneous	5,000	-	(5,000)
Total Revenues	263,645	86,224	(177,421)
EXPENDITURES:			
Current:			
Public Works	283,695	140,623	143,072
Capital Outlay	222,000	122,464	99,536
Total Expenditures	505,695	263,087	242,608
Excess (Deficiency) of Revenues over Expenditures	(242,050)	(176,863)	65,187
OTHER FINANCING SOURCES (USES)			
Transfers In	1,500,000	1,500,000	-
Transfers Out	(145,025)	(145,023)	2
Total Other Financing Sources (Uses)	1,354,975	1,354,977	2
Net Change in Fund Balance	1,112,925	1,178,114	65,189
Fund Balance, Beginning of Year (Restated)	5,073,966	5,073,966	-
Fund Balance, End of Year	$ 6,186,891	$ 6,252,080	$ 65,189

City of Highland
Budgetary Comparison Schedule
Community Facilities District - Capital Projects Fund
Year Ended June 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Miscellaneous	$ 10,100	$ 10,080	$ (20)
Total Revenues	10,100	10,080	(20)
EXPENDITURES:			
Current:			
Public Works	10,100	10,080	20
Total Expenditures	10,100	10,080	20
Excess (Deficiency) of Revenues over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

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.

City of Highland
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
ASSETS			
Current:			
Cash and Investments	$ 3,666,347	$ 1,404,227	$ 5,070,574
Receivable:			
Accounts	-	1,296	1,296
Interest	6,875	1,372	8,247
Total Assets	3,673,222	1,406,895	5,080,117
LIABILITIES			
Current:			
Accounts Payable	5,535	42,095	47,630
Accrued Liabilities	2,706	3,814	6,520
Claims Payable	5,000	-	5,000
Total Current Liabilities	13,241	45,909	59,150
Noncurrent:			
Claims Payable	150,000	-	150,000
Total Noncurrent Liabilities	150,000	-	150,000
Total Liabilities	163,241	45,909	209,150
NET POSITION			
Unrestricted	3,509,981	1,360,986	4,870,967
Total Net Position	$ 3,509,981	$ 1,360,986	$ 4,870,967

City of Highland
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2022

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
OPERATING REVENUES			
Charges for Services	$ 603,730	$ 86,213	$ 689,943
Miscellaneous	385	-	385
Total Operating Revenues	604,115	86,213	690,328
OPERATING EXPENSES			
Salaries and Benefits	120,340	-	120,340
Insurance Premiums	385,849	-	385,849
Claims and Judgments	5,951	-	5,951
Legal Fees	52,735	-	52,735
Administrative Expenses	6,650	451,470	458,120
Insurance Adjusting Fees	-	-	
Total Operating Expenses	571,525	451,470	1,022,995
Operating Income (Loss)	32,590	(365,257)	(332,667)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	(33,162)	(6,346)	(39,508)
Income before Contributions and Transfers	(572)	(371,603)	(372,175)
Transfers in	-	675,000	675,000
Change in Net Position	(572)	303,397	302,825
Net Position, Beginning of Year	3,510,553	1,057,589	4,568,142
Net Position, End of Year	$ 3,509,981	$ 1,360,986	$ 4,870,967

City of Highland
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2022

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Services	$ 606,179	$ 85,114	$ 691,293
Cash Payments to Employees for Services	(122,844)	68	(122,776)
Cash Payments Made to Suppliers/Vendors	(462,183)	(419,293)	(881,476)
Net Cash Provided (Used) By Operations	21,152	(334,111)	(312,959)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from Other Funds	-	675,000	675,000
Net Cash Provided (Used) By NonCapital Financing Activities	-	675,000	675,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	(37,047)	(7,011)	(44,058)
Net Cash Provided (Used) By Investing Activities	(37,047)	(7,011)	(44,058)
Net Increase (Decrease) in Cash and Cash Equivalents	(15,895)	333,878	317,983
Cash and Equivalents - Beginning of Year	3,682,242	1,070,349	4,752,591
Cash and Equivalents - End of Year	$ 3,666,347	$ 1,404,227	$ 5,070,574
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	$ 32,590	$ (365,257)	$ (332,667)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Accounts Receivable	2,064	(1,099)	965
Increase (Decrease) in Accounts Payable	(16,949)	32,177	15,228
Increase (Decrease) in Accrued Liabilities	(2,504)	68	(2,436)
Increase (Decrease) in Claims Payable	5,951	-	5,951
Net Cash Provided (Used) by Operating Activities	$ 21,152	$ (334,111)	$ (312,959)

STATISTICAL SECTION

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 118 – 121

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 122 – 125

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 126 – 130

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 131 – 132

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 133 – 134

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)

	Fiscal Year				
	2022	2021	2020	2019	2018
Governmental activities:					
Investment in capital assets	225,235,630	225,865,157	227,112,025	221,003,257	214,466,575
Restricted for:					
Public safety	-	4,622	-	-	26,836
Highways and streets	33,314,130	36,238,519	38,678,179	42,249,331	41,447,249
Community Development	5,385,260	5,437,302	5,303,599	5,186,442	5,060,289
Unrestricted	25,606,706	19,744,041	18,903,986	21,353,346	24,874,004
Total governmental activities net position	$ 289,541,726	$ 287,289,641	$ 289,997,789	$ 289,792,376	$ 285,874,953

	2017	2016	2015	2014	2013
Governmental activities:					
Investment in capital assets	216,035,504	210,865,837	216,726,391	209,133,022	197,080,972
Restricted for:					
Public safety	87,188	10,181,809	10,811,124	11,383,704	10,442,756
Highways and streets	30,801,998	35,846,032	24,126,132	22,951,998	17,078,055
Community Development	4,386,881	4,339,917	1,392,208	1,343,835	1,245,335
Unrestricted	28,349,878	16,375,043	9,320,447	11,098,575	23,319,965
Total governmental activities net position	$ 279,661,449	$ 277,608,638	$ 262,376,302	$ 255,911,134	$ 249,167,083

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Governmental activities:										
General government	2,329,674	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
Public safety	18,165,480	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
Highways and streets	15,510,734	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
Community Development	4,845,025	3,610,883	3,254,385	3,424,262	3,473,178	2,471,487	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	40,850,913	37,766,065	33,499,218	32,045,782	29,965,836	29,263,632	31,602,893	31,329,362	32,441,211	24,312,978
Program revenues:										
Governmental activities:										
Charges for services:										
General government	125,608	362,563	242,669	338,758	761,641	726,087	1,583,415	1,080,488	1,037,804	939,407
Public safety	1,511,188	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
Highways and streets	1,332,697	2,194,101	1,930,553	1,748,406	2,688,276	2,809,938	1,020,765	886,907	949,736	967,367
Community Development	2,135,481	1,234,314	1,183,807	1,300,273	1,721,294	1,574,576		-	-	-
Operating grants and contributions	2,811,500	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
Capital grants and contributions	12,935,771	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
Total governmental activities program revenues	20,852,245	14,002,390	12,433,917	16,322,926	18,001,649	13,199,765	16,371,273	21,881,230	30,826,278	15,684,749
Net revenues (expenses) governmental activities	(19,998,668)	(23,763,675)	(21,065,301)	(15,722,856)	(11,964,186)	(16,063,867)	(15,231,620)	(9,448,132)	(1,614,933)	(8,628,229)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	15,406,948	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
Sales and use taxes	4,017,078	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
Transient occupancy tax	268,259	271,603	264,958	266,893	179,088	302,330	274,410	264,628	249,722	228,490
Franchise taxes	1,930,701	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
Business license tax	446,810	491,867	536,749	497,286	558,270	173,025	263,489	344,282	253,690	232,909
Other	63,608	40,576	44,146	26,286	28,623	24,032	14,459	14,362	47,160	57,684
Gain on Sale of Capital Assets	-	356,150	-	-	-	-	-	-	-	-
Investment income	(22,924)	133,727	436,821	522,967	315,496	317,167	104,983	987,829	48,567	58,651
State motor vehicle in lieu, unrestricted	-	-	-	-	-	-	-	-	-	3,764,950
Rental income	-	-	-	-	-	-	-	-	-	120,601
Land contribution from the Successor Agency	-	-	-	-	-	-	-	-	-	1,645,592
Miscellaneous	140,273	188,643	189,052	432,269	140,458	133,812	991,825	1,403,154	1,004,511	463,553
Total governmental activities	22,250,753	21,539,810	20,185,495	19,640,279	18,462,818	16,927,515	13,918,184	14,825,944	12,931,573	17,216,569
Changes in net position governmental activities	$ 2,252,085	$ (2,223,865)	$ (879,806)	$ 3,917,423	$ 6,498,632	$ 863,648	$ (1,313,436)	$ 5,377,812	$ 11,316,640	$ 8,588,340
Extraordinary item: Loss on transfer	-	-	-	-	-	-	-	-	-	-
Restatement of Land	-	-	-	-	-	-	-	-	-	(1,998,141)
Restatment 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	$ 2,252,085	$ (2,708,148)	$ (879,806)	$ 3,917,423	$ 6,213,504	$ 2,052,811	$ 15,232,336	$ 6,465,168	$ 6,744,051	$ 4,421,815

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General fund:										
Nonspendable	872,740	974,619	978,226	977,829	999,339	990,099	1,061,528	1,178,728	1,390,548	1,051,857
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	11,680,011	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
Unassigned	6,131,822	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
Total general fund	$ 18,684,573	$ 15,919,794	$ 13,876,234	$ 13,870,839	$ 14,249,142	$ 13,482,792	$ 7,174,860	$ 8,482,611	$ 8,479,235	$ 8,575,357
All other governmental funds:										
Nonspendable:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	1,362,235	1,425,413	1,425,413	-	-
Restricted:										
Special revenue funds	25,020,963	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
Capital projects funds	13,678,427	15,486,261	16,996,373	19,309,569	19,148,448	11,147,755	13,094,825	23,432	58,771	480,000
Committed:										
Assigned:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	6,252,080	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
Unassigned:										
Special revenue funds	(427,619)	(694,177)	(411,719)	(746,061)	(943,910)	(882,715)	(525,490)	(9,580,909)	(7,302,032)	(2,268,023)
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 44,523,851	$ 46,060,232	$ 48,674,019	$ 52,696,153	$ 53,497,192	$ 46,153,726	$ 56,865,333	$ 25,993,559	$ 28,925,590	$ 36,402,731

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

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Taxes	23,163,468	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
Licenses and permits	1,217,429	618,458	509,501	537,720	855,744	705,796	684,186	561,943	582,506	563,573
Intergovernmental	15,611,819	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
Charges for services	2,362,870	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
Fines and forfeitures	121,887	80,226	99,604	73,838	116,380	139,888	182,037	237,306	457,300	323,327
Investment income	(128,949)	454,062	1,184,670	1,482,102	824,331	633,959	217,790	1,027,138	89,532	114,292
Rental income	251,042	244,930	239,890	227,190	226,068	219,926	120,691	121,961	122,441	120,601
Miscellaneous	86,482	374,675	87,465	398,788	320,619	195,598	671,337	1,293,862	870,354	616,841
Total revenues	42,686,048	34,537,912	33,863,871	37,231,702	36,200,679	28,027,576	38,971,374	26,851,166	28,629,105	34,141,975
Expenditures:										
Current:										
General government+	1,801,743	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
Highways and streets+	5,375,194	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
Public safety+	17,495,556	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
Community Development+	4,137,401	2,903,259	2,454,195	2,558,426	2,499,347	2,471,487	-	-	-	-
Capital outlay	15,370,721	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
Debt service:										
Principal*	-	-	-	-	-	-	-	-	-	-
Interest*	-	-	-	-	-	-	-	-	-	-
Pass-through payments*	-	-	-	-	-	-	-	-	-	-
SERAF Payment*	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent*	-	-	-	-	-	-	-	-	-	-
Total expenditures	44,180,615	35,480,116	37,880,610	38,411,044	28,090,863	33,126,979	25,953,123	29,779,821	35,256,280	29,595,152
Excess (deficiency) of revenues over (under) expenditures	(1,494,567)	(942,204)	(4,016,739)	(1,179,342)	8,109,816	(5,099,403)	13,018,251	(2,928,655)	(6,627,175)	4,546,823
Other financing sources (uses):										
Sale of Capital Assets	-	402,000								
Issuance of long term debt	3,397,965	469,081	-	-	-	-	-	-	-	-
Payment to bond escrow agent		-	-	-	-	-	-	-	-	-
Transfers in	2,456,734	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
Transfers out	(3,131,734)	(2,364,027)	(1,919,422)	(2,995,704)	(2,191,020)	(2,017,731)	(3,448,326)	(3,522,188)	(708,567)	(6,426,146)
Total other financing sources (uses)	2,722,965	371,977	-	-	-	-	-	-	-	-
Extraordinary Item	-	-	-	-	-	-	-	-	(946,087)	(2,168,384)
Net change in fund balances	$ 1,228,398	$ (570,227)	$ (4,016,739)	$ (1,179,342)	$ 8,109,816	$ (5,099,403)	$ 13,018,251	$ (2,928,655)	$ (7,573,262)	$ 2,378,439
Debt service* as a percentage of noncapital + expenditures.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Debt service is for the former RDA.
The RDA was dissolved on February 1, 2012.

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

Assessed Value

Category	2022	2021	2020	2019	2018
Residential	3,714,571,853	3,559,231,681	3,421,547,404	3,235,632,104	3,058,458,940
Commercial	277,843,224	260,893,974	262,495,563	232,261,059	221,613,336
Industrial	69,404,126	57,592,686	52,476,393	51,299,293	48,639,494
Irrigated	72,850	438,128	680,270	666,931	655,502
Dry Farm	-	-	-	-	129,918
Recreational	1,465,450	2,013,113	2,010,581	1,327,099	1,324,666
Institutional	31,389,694	31,067,831	30,851,503	30,051,724	28,952,472
Miscellaneous	13,667,029	13,595,907	13,035,651	9,917,709	9,841,856
Vacant Land	104,697,062	89,904,034	91,922,879	88,609,668	88,183,693
SBE Nonunitary	37,800	37,800	37,800	18,900	18,900
Unsecured	80,602,464	75,228,717	68,665,836	61,381,977	56,298,251
Govt. Owned	24,248,640	24,000,000	-	-	-
Unknown	-	-	-	-	-
Exemptions	(115,727,998)	(111,624,080)	(97,885,315)	(82,876,255)	(79,270,623)
Total	4,202,272,194	4,002,379,791	3,845,838,565	3,628,290,209	3,434,846,405
Total direct rate	0.24875	0.24871	0.24924	0.23904	0.23904

Category	2017	2016	2015	2014	2013
Residential	2,906,523,051	2,773,541,762	2,609,720,470	2,447,887,756	2,360,240,430
Commercial	210,815,100	198,338,374	196,409,096	194,061,982	190,385,491
Industrial	48,108,184	46,948,732	42,808,510	42,408,595	39,608,573
Irrigated	642,650	632,998	794,784	791,192	1,023,979
Dry Farm	127,371	200,535	196,606	195,718	191,880
Recreational	1,322,280	1,519,489	2,391,470	2,390,411	2,243,540
Institutional	28,702,907	28,271,761	27,748,091	27,588,682	27,124,221
Miscellaneous	9,906,629	9,556,408	11,796,187	12,959,361	13,574,718
Vacant Land	82,278,983	76,496,990	75,088,677	74,106,442	77,808,833
SBE Nonunitary	18,900	18,900	18,900	31,500	31,500
Unsecured	58,764,229	62,288,201	61,175,324	62,341,169	63,946,028
Govt. Owned	-				
Unknown	-	-	-	-	1,285,846
Exemptions	(73,367,998)	(72,450,406)	(61,581,215)	(60,509,158)	(57,924,892)
Total	3,273,842,286	3,125,363,744	2,966,566,900	2,804,253,650	2,719,540,147
Total direct rate	0.23903	0.23904	0.23898	0.23897	0.47862

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

	2022	2021	2020	2019	2018	2017	2016	2015
City Direct Rate:								
Property Tax General Fund								
Assessed value of City basic rate	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400
Total City Direct Rate	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400	$ 0.24400
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	$ 0.00043	$ 0.00043	$ 0.00043	$ 0.00043	$ 0.00043	$ 0.00043	$ 0.00043	$ 0.00043
Total Direct rates	$ 1.00000	$ 1.00000	$ 1.00000	$ 1.00000	$ 1.00000	$ 1.00000	$ 1.00000	$ 1.00000
Redlands Unified School Bond 1993	$ 0.06620	$ 0.03600	$ 0.03390	$ 0.03240	$ 0.04940	$ 0.05240	$ 0.05670	$ 0.05940
San Bernardino Community College Bond	$ 0.05340	$ 0.06510	$ 0.05620	$ 0.04070	$ 0.03760	$ 0.03500	$ 0.04030	$ 0.03930
San Bernardino Unified School Bond	$ 0.10890	$ 0.10340	$ 0.09690	$ 0.11260	$ 0.10070	$ 0.07950	$ 0.11820	$ 0.10810
San Bernardino Valley Muni Water District Bond	$ 0.13000	$ 0.14250	$ 0.14250	$ 0.15250	$ 0.15250	$ 0.16250	$ 0.16250	$ 0.16250
Total Overlapping Rates	$ 0.35850	$ 0.34700	$ 0.32950	$ 0.33820	$ 0.34020	$ 0.32940	$ 0.37770	$ 0.36930
Total Direct & Overlapping Tax Rates	$ 1.35850	$ 1.34700	$ 1.32950	$ 1.33820	$ 1.34020	$ 1.32940	$ 1.37770	$ 1.36930
Redevelopment Rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Direct Rate	$ 0.24875	$ 0.24871	$ 0.24924	$ 0.23904	$ 0.23904	$ 0.23903	$ 0.23904	$ 0.23898

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

	2022		2013	
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Victoria Development Company	27,955,874	0.67%	23,483,674	0.86%
Miracle Mile Properties, LP	18,669,428	0.44%		
Lowes HIW Inc.	24,663,831	0.59%	17,051,405	0.63%
Highland AL-MC Group	14,380,236	0.34%		
Greenspot Village & Marketplace LLC	16,293,503	0.39%	11,340,465	0.42%
Greenspot Ranch Investors			13,556,472	0.50%
RRM Properties Limited	25,063,082	0.60%	10,577,095	0.39%
Cole LA Highland California LP			9,470,077	0.35%
Boulder Baseline Investors			9,394,305	0.35%
2018 3 IH Borrower	13,366,298	0.32%		
Sam Menlo Trust			16,155,543	0.59%
Stater Bros Markets			9,549,542	0.35%
THR California LLC			9,276,181	0.34%
KAGR2 Highland 7000 LP	22,661,682	0.54%		
HVP Associates LLC	13,604,292	0.32%		
D R Horton Los Angeles Holding Company	11,713,955	0.28%		
	$ 188,372,181	4.48%	$ 129,854,759	4.77%

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
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%
2022	$ 10,253,544	7,689,449	74.99%	45,215	7,734,665	75.43%

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]
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%	-
2022	-	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 financuial 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
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%	-
2022	-	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, 2022

2021-2022 Assessed Valuation		$ 4,202,272,194	
	Percentage Applicable [1]	Outstanding Debt 6/30/2022	City's Share of Overlapping Debt
Overlapping Tax and Assessment Debt			
San Bernardino Community College District	4.937%	$ 730,017,126	$ 36,040,946
Redlands Unified School District	12.021%	59,303,512	7,128,875
San Bernardino Unified School District	9.063%	276,764,806	25,083,194
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%	17,030,000	17,030,000
Total Overlapping Tax and Assessment Debt			$ 87,583,015
Direct & Overlapping General Fund Obligation Debt			
San Bernardino County General Fund Obligations	1.578%	188,035,000	$ 2,967,192
San Bernardino County Pension Obligations	1.578%	119,835,000	1,890,996
San Bernardino County Flood Control District COP	1.578%	44,780,000	706,628
San Bernardino Unified School District COP	9.063%	83,385,000	7,557,183
City of Highland	100.000%	-	-
Total Direct & Overlapping General Fund Obligation Debt			$ 13,121,999
Overlapping Tax Increment Debt (Successor Agencies)			
Successor Agency to the Highland RDA (SARDA)	100.00%	39,510,000	$ 39,510,000
San Bernardino County (IVDA) Tax Allocation Bonds	0.003%	220,470,000	6,614
Total Overlapping Tax Increment Debt (Successor Agencies)			$ 39,516,614
TOTAL DIRECT DEBT			$ -
TOTAL OVERLAPPING DEBT			$ 140,221,628
COMBINED TOTAL DEBT			[2] $ 140,221,628

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 2021-2022 Assessed Valuation:	
Total Overlapping Tax & Assessment Debt	2.08%
Total Direct Debt	0.00%
Combined Total Debt	3.34%

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Assessed Valuation	$ 4,202,272,194	$ 4,002,379,791	$ 4,002,379,791	$ 3,845,838,565	$ 3,628,290,209	$ 3,434,846,405	$ 3,273,842,286	$ 2,966,566,900	$ 2,804,253,650	$ 2,719,540,147
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$ 1,050,568,049	$ 1,000,594,948	$ 1,000,594,948	$ 961,459,641	$ 907,072,552	$ 858,711,601	$ 818,460,572	$ 741,641,725	$ 701,063,413	$ 679,885,037
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	157,585,207	150,089,242	150,089,242	144,218,946	136,060,883	128,806,740	122,769,086	111,246,259	105,159,512	101,982,756
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 157,585,207	$ 150,089,242	$ 150,089,242	$ 144,218,946	$ 136,060,883	$ 128,806,740	$ 122,769,086	$ 111,246,259	$ 105,159,512	$ 101,982,756
Total debt applicable to the limit 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

CITY OF HIGHLAND
Pledged-Revenue Coverage
Last Ten Fiscal Years

Tax Allocation Bonds

Fiscal Year Ended June 30	Former RDA Tax Increment	Debt Service		
		Principal	Interest	Coverage
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-

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.

CITY OF HIGHLAND
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (2) (in thousands)	Per Capital Personal Income (3)	Unemployment Rate (4)
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%
2022	56,546	1,552,565	27,456	7.9%

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

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

Department	Full-Time Equivalent Employees as of June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
City clerk	1.950	1.950	1.950	1.950	1.950	1.850	1.850	1.950	1.950	1.950
General government	3.750	3.750	3.750	3.850	3.850	3.800	3.800	3.925	3.925	3.950
Personnel	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.300	0.300	0.300
Finance	4.500	4.500	4.500	4.500	4.475	4.125	4.150	4.375	4.375	4.400
Public works (Gas tax)	4.350	4.350	4.350	4.300	4.300	4.300	4.300	5.200	5.200	5.000
Engineering	1.350	1.350	1.350	0.350	0.350	0.350	0.350	0.350	0.350	0.500
Planning	5.050	5.050	5.050	5.050	5.050	5.150	5.150	5.550	5.550	5.650
Public services	3.000	3.000	3.000	3.000	3.000	2.000	2.000	2.000	2.000	2.000
Building and safety	2.050	2.050	2.050	2.050	2.050	2.050	1.550	1.550	1.550	1.550
Code enforcement	2.900	2.900	2.900	2.900	2.900	1.900	2.400	2.400	2.400	2.400
Parks and trails	1.150	1.150	1.150	1.150	1.150	1.150	1.150	2.150	2.150	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	0.050	-	-	-	-	-	-	-
HUD grant	-	-	-	-	-	-	-	-	-	-
Assessment districts	1.200	1.200	1.200	1.200	1.200	1.200	1.200	-	-	-
Captial improvements	1.150	1.150	1.150	1.150	1.175	1.175	-	-	-	-
AQMD AB 2766	-	-	-	-	-	-	-	-	-	-
Volunteer Services	0.750	0.750	0.750	-	-	-	-	-	-	-
General capital financing	0.250	0.250	0.250	-	-	-	-	-	-	-
General liability	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.400	0.400	0.400
Building services	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.250
Housing authority	0.700	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	-
	38.000	38.000	38.000	36.000	36.000	34.000	34.000	34.000	34.000	33.000

Source: City of Highland.

CITY OF HIGHLAND
Operating Indicators
by Department
Last Ten Fiscal Years

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police department:										
Calls for service	42,729	47,283	47,083	46,493	48,187	46,337	48,204	48,314	45,795	44,270
Adult Bookings	1,577	1,377	1,342	1,787	1,344	1,673	1,557	1,726	1,644	1,659
Animal control services:										
Calls for service	2,860	2,488	2,668	3,149	3,076	3,310	3,650	3,914	4,268	3,977
Impounds	1,523	1,170	1,266	1,467	1,453	1,540	1,556	1,792	2,066	2,579
Dog licenses issued	1,113	1,205	1,267	1,501	1,627	1,787	1,968	2,287	2,394	2,647
Public works:										
Roadway maintained (miles)	143.47	143.47	143.35	142.67	142.67	142.67	142.67	142.67	142.50	142.50
Planning:										
Applications	115	110	62	95	121	130	139	146	190	151
Building and safety:										
Building permits issued	1,894	1,208	957	1,263	1,336	1,268	1,389	n/a*	1,154	1,048
Administration:										
New business licenses	283	503	316	312	343	247	366	973	411	627
Renewed business licenses	2,522	2,971	2,973	2,949	2,499	2,219	1,842	1,479	1,520	1,287
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

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	143.47	143.35	142.67	142.67	142.67	142.67	142.67	142.50	142.50
Street lights	3,495	3,495	3,495	3,495	3,495	3,490	3,455	3,455	3,395	3,380
Traffic signals	57	57	57	57	56	55	54	54	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

NOVEMBER 24, 1987
CITY OF HIGHLAND

THE CITY OF HIGHLAND MISSION AND VALUES

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

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

RESPONSIBILITY

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

SERVICE

Volunteer service is a valued community resource.

ACCOUNTABILITY

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

CREATIVITY

Creative solutions are the norm, not the exception.

NEIGHBORHOOD STABILITY

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

VISION

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

FAMILY

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

NOVEMBER 24, 1987
CITY OF HIGHLAND

Draft Single Audit Report

CITY OF HIGHLAND

Single Audit Report on Federal Award Programs

June 30, 2022

CITY OF HIGHLAND
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2022

TABLE OF CONTENTS

	Page
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*	1
Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11

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, 2022, 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 __, 2022.

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 & Fankhanel, LLP

December __, 2022

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

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Highland and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December __, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions 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 basic 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 + Fankhanel, LLP

December __, 2022

CITY OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Program Identification Number	Program Expend-itures	Provided to Sub-Recipients
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Passed through the County of San Bernardino:				
Community Development Block Grant	14.218	HIGH-21-1-15 Z/1355	$ 73,596	$ -
Community Development Block Grant	14.218	HIGH 21-1-02 A/1219	25,000	25,000
Community Development Block Grant	14.218	HIGH 21-2-05 D/2620	12,900	12,900
Community Development Block Grant	14.218	HIGH 21-2-05 Z/2443	12,500	12,500
COVID-19 - Community Development Block Grant	14.218	HIGH 19CV-1-05W/0200	296	296
COVID-19 - Community Development Block Grant	14.218	HIGH 19CV-2-05W/0202	94,136	94,136
Total Department of Housing and Urban Development Programs			218,428	144,832
Department of the Treasury				
Direct Recipient				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	-	4,204,804 *	-
Total Department of Treasury Programs			4,204,804	-
Department of Transportation				
Passed through the California Department of Transportation:				
Recreational Trails Program	20.219	RT 36-013 OR ZT 36-057	59,724	-
Highway Planning and Construction Cluster				
Passed through the California Department of Transportation:				
Highway Planning and Construction	20.205	BRLSN 5449 (034)	14,415	-
Highway Planning and Construction	20.205	BR-NBIL 5449 (505)	229,072	-
Highway Planning and Construction	20.205	PNRSL 5449 (033)	1,739,255	-
Highway Planning and Construction	20.205	SRTS 5449 (026)	244,203	-
Highway Planning and Construction	20.205	SRTS 5449 (027)	329,731	-
Total Highway Planning and Construction Cluster			2,556,676	-
Total Department of Transportation Programs			2,616,400	-
Department of Commerce				
Passed through the San Manuel Band of Mission Indians:				
Economic Development Assistance	11.300	EDA 07-01-07415	27,315	-
Total Department of Commerce Programs			27,315	-
Total Expenditures of Federal Awards			$7,066,947	$ 144,832

* = Major Program

CITY OF HIGHLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

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, 2022. 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, 2022, the City made payments to subrecipients which consisted of the following:

Highland Senior Center	$ 25,000
Central Little League	12,900
YMCA	12,500
Highland Grocery	296
Highland Ready Made Fooc	94,136
Total Subrecipients	$ 144,832

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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?	None Reported
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?	None Reported
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
21.027	Coronavirus State and Local Recovery Funds

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	$ 750,000
Auditee Qualified as Low-Risk Auditee?	Yes

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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 *Uniform Guidance.*

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*.

Draft Internal Control Report

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated _____ __, 2022.

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

_____ __, 2022

Draft Audit Conclusion Letter

_____ __, 2022

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, 2022. 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 April 29, 2022. 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. 87, *Leases*. 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 _____ __, 2022.

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 & Fankhanel, LLP

Draft Appropriations Limit Report

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, 2022. 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 XIIIB of the California Constitution)*, were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIIIB 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 XIIIB 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 & Fankhanel, LLP

December __, 2022

CITY OF HIGHLAND
APPROPRIATIONS LIMIT COMPUTATION
2021 - 2022

		2021-22
Change in Per Capita Personal Income		5.73%
Population Change City Population Growth		-0.002735%
A. Change in Per Capita Personal Income Converted to a Ratio		1.0573
B. Population Growth Converted to a Ratio		0.997265
Calculation of Growth Factor (A x B)		1.0544082845
2020 -2021 Appropriations Limit	$ 38,137,363	
2021 -2022 Appropriations Limit ($38,137,363 x 1.0544082845)	$ 40,212,353	

Business Item No. 3

AB 1600 Development Impact Fees Annual Report
Government Code Section 66006
For June 30, 2022

Project #	Title	Balance 7/1/2021	Transfers	Revenues	Interest	GASB 31 Int. Inc. Adj.	Expenditures		Balance 6/30/2022
9700	Law Enforcement Facilities & Equipment	356,295.92	-	6,693.72	1,210.00	(3,566.12)	-		360,633.52
9701	Fire Facilities & Equipment	417,611.44	-	23,774.41	1,471.00	(4,336.00)	-		438,520.85
9702	General Facilities	406,305.06	-	29,676.68	1,453.00	(4,282.00)	-		433,152.74
9703	Parks & Recreation Facilities	542,154.83	-	33,077.00	1,917.00	(5,651.00)	34,917.50	e	536,580.33
9711	Library Facilities	300,901.16	-	27,302.18	1,094.00	(3,224.00)	-		326,073.34
9712	Local Circulation	710,754.52	-	111,219.62	2,739.00	(8,074.00)	36,971.78	f-j	779,667.36
9713	Regional Flood	542,246.97	-	25,926.12	1,893.00	(5,581.00)	-		564,485.09
9714	Public Use Facilities	1,188,068.25	-	34,029.86	4,072.00	(12,005.00)	-		1,214,165.11
9715	Regional Circulation-Del Rosa	309,148.35	-	4,913.25	1,047.00	(3,085.00)	-		312,023.60
9716	Regional Circulation-Base Line	702,401.06	-	11,218.75	2,378.00	(7,010.00)	-		708,987.81
9717	Regional Circulation-Fifth Street	690,674.10	-	11,027.63	2,338.00	(6,893.00)	-		697,146.73
9718	Regional Circulation-Arterials	1,483,526.48	-	109,320.94	5,308.00	(15,647.00)	1,618,103.79	a-c	(35,595.37)
9845	SBCTA Agreement 18-1001978	-	-	3,397,966.39	-		3,397,966.39	d	-
		7,650,088.13	-	3,826,146.55	26,920.00	(79,354.12)	5,087,959.46		6,335,841.10
		7,650,088.13							6,335,841.10

Summary of expenditures:

a	Project BRG 12-001 Orange Street Bridge	12,430.12
b	Project BRG 04-004a Boulder Avenue Bridge	1,595,468.66
c	Project STR 15-002 Boulder Avenue	10,205.01
d	Project ICH 09-001 DIF Agreement 18-1001978	3,397,966.39
e	YMCA Skylights	34,917.50
f	Project SDR 17-001	13,404.50
g	Project SIG 21-002	11,482.50
h	Project STR 20-002 Pacific Street Pavement Rehab	4,115.20
i	Project STR 20-001 PMP Sector E Rehab	1,149.00
j	Boulder Avenue Street Signs	6,820.58
		5,087,959.46

Business Item No. 4

Developer In Lieu Fee Annual Report
For June 30, 2022

Project #	Title	Balance 7/1/2021	Revenues	Interest	GASB 31 Int. Inc. Adj.	Expenditures		Transfers	Balance 6/30/2022
9543	Microfilm	132,364.65	17,629.40	518.00	(1,734.32)	-	a	-	148,777.73
9647	Street/Trees	402,134.45	10,745.72	1,191.00	(3,989.00)	92,597.24	b-d	-	317,484.93
9648	Signals	1,907,130.53	-	7,169.00	(24,020.00)	-		-	1,890,279.53
9650	Bledsoe Creek	5,576.96	-	21.00	(70.00)	-		-	5,527.96
9651	Medians	789,074.79	-	2,966.00	(9,938.00)	-		-	782,102.79
9653	Underground Utilities	556,239.64	-	2,091.00	(7,006.00)	-		-	551,324.64
9654	Landscaping	17,065.50	-	64.00	(215.00)	-		-	16,914.50
9720	Inclusionary Housing	632,913.03	78,750.00	2,674.00	(8,958.00)	-		-	705,379.03
		4,442,499.55	107,125.12	16,694.00	(55,930.32)	92,597.24		-	4,417,791.11
									4,417,791.11

Summary of expenditures:

a	Entering documents into laserfische/new scanner.	-
b	Project STR 11-005 Cunningham St to Palm Ave	68,336.16
c	Project STR 11-006 9th St to Base Line	24,096.08
d	Project LRS 19-001 Citywide Local Roadway Safety Plan	165.00
		92,597.24

Business Item No. 5

Memorandum
City of Highland

DATE: November 8, 2022

TO: Finance Subcommittee

FROM: Kim Stater, Asst. Community Development Director

SUBJECT: Allocation of Unencumbered Community Development Block Grant (CDBG) Funds

The County of San Bernardino CDBG staff informed the City that it has balance of **$219,545** in unencumbered funds. The funds are a combination of $84,950 in Unprogrammed funds, plus $48,920 from 2020-21 Code Enforcement and $85,675 from 2021-22 Code Enforcement. These funds are available for expenditure. The County asked if the City would consider transferring the balance to the City's Street Improvement Project?

The Street Improvement Project in question is two years of CDBG projects and funding; construction of pavement improvements on Cunningham Street from 9th Street to Base Line and McKinley Street between Base Line and 9th Street (Fiscal Years 21-22 and 22-23). See the engineer's estimate for the work below:

	Construction Estimate	CDBG Budget	Anticipated Shortfall
McKinley Avenue	$614,000	$255,904	$258,096
Cunningham Street	$233,000	$200,000	$33,000
		Total Shortfall	**$391,096**

The engineer's estimate for the pavement rehabilitation projects is much higher than the budget. Design is 65% complete. If the $219,545 us utilized for the proposed project, the amount of Measure I Local Pass Through funds needed would be significantly less.

Staff recommends approval of the funds for this use.

Business Item No. 6

Memo

To: Finance/Personnel Subcommittee

From: Melissa Morgan, Public Services Manager

Date: November 8, 2022

Re: SB1383 Purchasing Policy

Senate Bill No. 1383 (SB 1383) (Lara, Chapter 395, Statutes of 2016) was signed into law on September 19, 2016, to reduce organic waste disposal by 75% and increase edible food recovery by 20% by 2025. As a result of SB 1383, the California Department of Resources Recycling and Recovery (CalRecycle), which is the state department tasked with administering California's waste and recycling programs, developed prescriptive regulations to achieve the State's outlined organic waste disposal goals by 2025. In November 2020, CalRecycle released the final regulations for SB 1383. The City is required to adopt a purchasing policy that reflects the procurement requirements in SB 1383 Regulations (California Code of Regulations, Title 14, Division 7, Chapter 12).

SB 1383 requires jurisdictions to:

1. Procure recycled content paper containing a minimum of 30% postconsumer recycled content, and procure recovered organic waste products (i.e., compost, mulch, biomass, and renewable natural gas) at levels prescribed by the state annually.

2. Keep specified records and report implementation efforts.

3. Meet and enforce CALGreen and Model Water Efficient Landscape Ordinance (MWELO) requirements. (The City has adopted CALGreen requirements as part of its building code update. The City also has in place a water efficient landscape ordinance, which reflects the model ordinance.)

The current informal policy is to purchase recycled office products instead of non-recycled office products whenever available at no more than 25% above the total cost of non-recycled office products, fitness and quality being equal. The proposed policy required by SB1383 specifies that if fitness, quality, and **price** of Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper are equal to that of non-recycled items, all departments and divisions shall purchase Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper that consist of at least thirty percent (30%), by fiber weight, postconsumer fiber.

Purchasing Policy

	Current Policy	Proposed Policy
Equipment & Supplies:		
Petty Cash	$50	$100
Purchase Order Minimum	over $250	over $2,500
Informal Bids:	$2,000 to $9,999.99 Purchasing Officer $10,000-$19,999.99-City Manager	$2,500 to $14,999.99 Purchasing Officer $15,000-$49,999.99-City Manager
Formal Bids:	$20,000+ City Council	$50,000+ City Council
Professional Service Contracts:		
	$0-$9,999.99-City Manager $10,000-$19,999.99-Finance Sub $20,000+ City Council	$0-$49,999.99-City Manager $50,000-$99,999.99-Finance Sub $100,000+ City Council

Above is a summary of the authority limit changes proposed.

Business Item No. 7

Reserve Deputy/Citizens on Patrol/Volunteer Firefighter
Uniform Reimbursement Policy

Years of Service	Current Policy	Proposed Policy
Year 1 to 5	$200	$400
After 5 years	$250	$500
After 10 years	$300	$600

This policy change is recommended by the Sheriff's Dept.
due to increased costs from changes in uniform regulations.