



CITY OF HIGHLAND

FINANCE/PERSONNEL SUBCOMMITTEE AGENDA

Special Meeting
November 12, 2024 at 4:45 PM
City Hall Upright Conference Room
27215 Base Line, Highland CA 92346

SUBCOMMITTEE MEMBERS

Larry McCallon, Member
District 5

John P. Timmer, Member
District 4

STAFF

Carlos Zamano, City Manager
Lawrence Mainez, Community Development Director
Leticia Nava-Cruz, Director of Administrative Services/City Treasurer
Lissette Nock, Deputy City Clerk
Michelle Gomez, Assistant Director of Administrative Services
Octavio Duran Jr., 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.

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, prior to the meeting for any requests for reasonable accommodations, including interpreters.

Any disclosable public records related to an open session item provided to the majority of the Subcommittee after posting of this agenda are available for public inspection at Highland City Hall, 27215 Base Line, Highland, during normal business hours and available online at www.cityofhighland.org.

FINANCE/PERSONNEL SUBCOMMITTEE

November 12, 2024 - 4:45 p.m.

CALL TO ORDER

PUBLIC COMMENT

Submission of Public Comments for ITEMS ON THIS AGENDA ONLY: 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 3:45 p.m. on November 12, 2024, to publiccomment@cityofhighland.org. If you are submitting a public comment pertaining to an item on the November 12, 2024 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 - September 3, 2024 Meeting
RECOMMENDATION: Approve the Minutes as submitted.
2. 2023/2024 Annual Comprehensive Financial Report (ACFR), Single Audit Report on Federal Award Programs, Independent Auditor's Report on Internal Controls, Audit Conclusion Letter, and Gann Limit (Appropriations Limit) Letter
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to City Council and recommend they receive and file the Annual Comprehensive Financial Report (ACFR), the Single Audit Report on Federal Award Programs, Independent Auditor's Report on Internal Controls, Audit Conclusion Letter, and Gann Limit (Appropriations Limit) Letter.
3. Annual AB 1600 Development Impact Fee Report for Fiscal Year 2023/2024
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to City Council to receive and file the AB 1600 Development Impact Fee Annual Report for Fiscal Year 2023/2024.
4. Annual Developer In-Lieu Fee Report for Fiscal Year 2023/2024
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to City Council to receive and file the Developer In-Lieu Fee Annual Report for Fiscal Year 2023/2024.

5. Resolution No. 2024-___ Establishing Employee SalariesRECOMMENDATION: That the Subcommittee:

- 1) Review and approve the items be brought forward to City Council to approve a 5% salary increase beginning January 1, 2025, for the Assistant Public Works Director; and
- 2) Approve Resolution No. 2024-___ establishing employee salaries.

6. Budget Adjustments for Emergency Preparedness and Response Efforts as a Result of the Line Fire for Fiscal Year 2024/2025RECOMMENDATION: That the Subcommittee:

- 1) Approve a budget adjustment in the amount of \$99,999.00 from the General Fund reserves (Fund Balance 001-2100) to be expended from 001.1450.4260 for immediate emergency preparedness and response efforts;
- 2) Authorize the City Manager to approve contracts and purchase orders up to the Finance Subcommittee's authority limits for items related to emergency preparedness and response efforts;
- 3) Recommend City Council approve an additional budget adjustment in the amount of \$200,001.00 from the General Fund reserves, Economic Uncertainty Fund balance (001-2550), to be expended from 001.1450.4260. This adjustment will bring the total budget for emergency preparedness and response efforts to \$300,000.00 for Fiscal Year 2024/2025; and
- 4) Recommend City Council authorize the City Manager to approve contracts and purchase orders up to the total budgeted amount of \$300,000.00 for emergency preparedness and response efforts.

ADJOURN

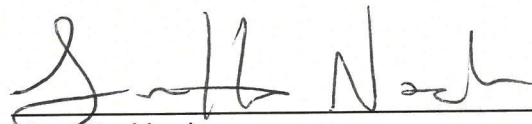
I, Lissette Nock, Deputy City Clerk, of the City of Highland, California, certify that I caused to be posted this Agenda on or before the 7th day of November, 2024, by 5:30 p.m. on our website at www.cityofhighland.org and in the following designated areas:

Highland Branch Library
7863 Central Avenue

Fire Station No. 1
26974 Base Line

City Hall
27215 Base Line

Date: November 7, 2024



Lissette Nock
Deputy City Clerk



Business Item No. 1

STAFF REPORT

TO THE FINANCE/PERSONNEL SUBCOMMITTEE

DATE: November 12, 2024

FROM: Lissette Nock

SUBJECT: Minutes - September 3, 2024 Special Meeting

RECOMMENDATION: Approved the minutes as submitted.

CALL TO ORDER

The Finance/Personnel Subcommittee special meeting was called to order at 10:00 a.m. in the Upright Conference Room, 27215 Base Line, Highland, California.

ROLL CALL

Present: McCallon, Timmer
Absent: None

PUBLIC COMMENT

None

BUSINESS ITEMS

1. Minutes - August 13, 2024 Meeting
Approved the Minutes as submitted.
2. Vehicle Usage Policy
The Subcommittee reviewed and approved the item be brought forward to the City Council regarding Vehicle Usage Policy.
3. Bid Award - Bid No. 2024-04, "Purchase of One New Vehicle"
The Subcommittee:
 - 1) Awarded Bid No. 2024-04 to Courtesy Chevrolet Center in the amount of \$65,187.67;
 - 2) Approved the quote from West Coast Lights and Sirens to perform the outfitting of the new vehicle in the amount of \$37,241.28 through our Sourcewell Cooperative Purchasing Program Contract No. 97402; and
 - 3) Approved a budget adjustment transfer of \$2,169.97 from 007.2100 (DIF-Fund Balance) to be expended from 007.8330.6060 (Vehicles).
4. Year-End Budget Adjustments for Fiscal Year 2023/2024
The Subcommittee reviewed and approved the item be brought forward to the City Council regarding the Fiscal Year 2023/2024 Year-End Budget Adjustments for Expenditures and Revenues.

ADJOURN

There being no further business, the meeting was adjourned at 10:27 a.m.

Submitted by:

Approved by:

Lisette Nock, Deputy City Clerk

Subcommittee Member



STAFF REPORT

TO THE FINANCE PERSONNEL SUBCOMMITTEE

DATE: November 12, 2024

FROM: Carlos Zamano, City Manager *CZ*

PREPARED BY: Tish Nava-Cruz, Director of Administrative Services/City Treasurer

SUBJECT: The Annual Comprehensive Financial Report (ACFR), the Single Audit Report on Federal Award Programs, the Independent Auditor's Report on Internal Controls, the Audit Conclusion letter, and the Gann Limit (Appropriations Limit) letter. All reports are for Fiscal Year Ended June 30, 2024.

RECOMMENDATION: The Finance/Personnel Subcommittee review and approve the items to be brought forward to City Council and recommend they receive and file the Annual Comprehensive Financial Report (ACFR), the Single Audit Report on Federal Award Programs, the Independent Auditor's Report on Internal Controls, the Audit Conclusion letter, and the Gann Limit (Appropriations Limit) letter. All reports are for Fiscal Year Ended June 30, 2024.

FISCAL IMPACT: None-reports only.

PUBLIC NOTICE: The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

BACKGROUND: Every year the Finance/Personnel Subcommittee reviews the draft reports in detail with the City's auditors, Van Lant and Fankhanel, LLP, and recommends that the City Council receive and file the Annual Comprehensive Financial Report (ACFR), the Single Audit Report on Federal Award Programs, the Independent Auditor's Report on Internal Controls, the Audit Conclusion letter, and the Gann Limit (Appropriations Limit) letter. All reports are for Fiscal Year Ended June 30, 2024. Also attached is a copy of the presentation that will be made by our auditors.

Attachments:

1. Presentation made by auditors to the Finance Subcommittee. (Distributed at the meeting)
2. Annual Comprehensive Financial Report (ACFR).
3. Single Audit Report on Federal Award Programs.
4. Audit Conclusion letter.
5. Gann Limit (Appropriations Limit) letter.

Attachment 1:
Presentation made by Auditors
to the Finance Subcommittee
(Distributed at the meeting)

Attachment 2:
Annual Comprehensive Financial Report
(ACFR)

City of Highland California



Annual Comprehensive Financial Report
For Fiscal Year Ended June 30, 2024

CITY OF HIGHLAND
Highland, California

Annual Comprehensive Financial Report

For the fiscal year ended June 30, 2024



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

Prepared by the Finance Department:

Leticia "Tish" Nava-Cruz
Director of Administrative Services/City Treasurer

Michelle Gomez
Assistant Director of Administrative Services

Debbie Ludolph
Accountant

City of Highland
Annual Comprehensive Financial Report
Year Ended June 30, 2024

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City of Highland
Annual Comprehensive Financial Report
Year Ended June 30, 2024

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INTRODUCTORY SECTION

December 10, 2024

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

State law mandates that every general-purpose local government publish a complete set of audited financial statements within six months after the fiscal year ends. This report fulfills that requirement for the fiscal year ending June 30, 2024.

Management is responsible for the completeness and reliability of the information, supported by an internal control framework designed to provide reasonable assurance of the financial statements' accuracy. The cost of these controls is balanced against their expected benefits.

Van Lant & Fankhanel LLP, a certified public accounting firm, has issued an unmodified opinion on the City of Highland's financial statements for the year ended June 30, 2024. The independent auditor's report is included at the front of the financial section.

Additionally, Management's Discussion and Analysis (MD&A) follows the auditor's report, offering an overview and analysis of the financial statements, complementing the letter of transmittal.

Profile of the Government

The City of Highland, incorporated on November 24, 1987, is situated at the foothills of the San Bernardino Mountains in the Inland Empire, which encompasses parts of San Bernardino and Riverside Counties. With a population of 55,676 and covering approximately 18 square miles, Highland has expanded its boundaries through annexation, notably adding 3,200 acres in October 2000, which increased its size by about 33%.

Additionally, in 2022, 1,658 acres within the annexed area was purchased by the San Bernardino Valley Municipal Water District for a future corporate campus, water storage facilities and recharge, and conservation efforts. The District is collaborating with urban planning and architectural consultants to produce a Comprehensive Master Plan (Sunrise Ranch Master Plan) and required Environmental Impact Report for the property.

The City of Highland operates as a general law city with a council-manager government structure. The City Council, composed of five members, is responsible for adopting ordinances, resolutions, the budget, setting fees, appointing for committees and commission, hiring the City Manager, and providing policy direction to staff as well as other various duties. The Mayor and Mayor Pro-tem are selected annually by the elected City Council Members. The City Manager implements the Council's policies and oversees daily operations.

In November 2016, Highland transitioned to a district-based electoral system, with all district seats up for election. Districts 2 and 4 held elections in 2018 and 2022, while Districts 1, 3, and 5 had elections in 2020 and are up for election again in November 2024.

Additionally, the City Council serves as Board Members for the Successor Agency to the Redevelopment Agency (SARDA), the Highland Public Financing Authority (HPFA), and the Highland Housing Authority (HA). As SARDA Board Members, they direct activities related to the former Redevelopment Agency's project area, as the former Redevelopment Agency is dissolved. The HPFA had no activities during the year, while the HA oversees housing initiatives previously managed by the former RDA Board and the Low and Moderate Income Housing Fund.

The City of Highland offers a comprehensive range of services, including police protection, fire suppression, paramedic services, animal control and licensing, street construction and maintenance, planning and zoning, building safety, engineering and inspection, code enforcement, business licensing, and general administration. Additional services within the city are provided by external entities such as San Bernardino County, San Bernardino Valley Water Conservation, San Bernardino Unified School District, Redlands Unified School District, the YMCA of the East Valley (provides the City's recreational programs), and East Valley Water District.

The biennial budget is essential for the City's financial planning and control, incorporating the City Council's goals into departmental objectives through a process known as the Work Program. This program identifies key goals, programs, and projects to be funded in the budget.

Major initiatives in the upcoming fiscal year include:

- Implement a new Financial Management Software
- Replacing the command post vehicle
- Purchasing of a Type III Wildland Fire Engine
- Improve City Hall Solid Waste Enclosure
- Paint City Hall Exterior Stucco and Trims
- Replace Fuel Dispensing System at Police Station
- Implement residential Solar On-Line Permitting
- Continued Delivery of the 5-Year Capital Improvement Program including:
 - Construction of the Natural Parkland Trail Project, 9th St Transit Stops Project, Highland Regional Connector Project and several pavement management program projects
 - Progressing on environmental assessments and design for regionally significant projects such as the Orange Street Bridge, Base Line Bridge, SR210/5th Street Interchange, and Victoria Street Improvements
 - Collaborating with IVDA/San Bernardino International Airport and other local agencies to produce the "Inland Valley Infrastructure Corridor Plan" for areas along the 3rd Street and 5th Street corridor.

- Annexing the southeast corner of Victoria and 5th Street (approximately one acre for economic development purposes).

The City Council must hold public hearings on the proposed budget and adopt a final budget by June 30th, marking the end of the fiscal year. The budget is organized by fund and department, with the City Manager authorized to approve transfers within departments. However, transfers between departments require City Council approval. The report includes budget-to-actual comparisons for each governmental fund with an adopted budget. For the General Fund and Major Special Revenue Funds, these comparisons are part of the required supplementary information in the financial statements. For other governmental funds with appropriated budgets, the comparisons are presented in the supplementary section of the financial statements.

The City maintains budgetary controls to ensure compliance with the legal provisions of the annual appropriated budget approved by its governing body. Annual budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds, and Internal Service Funds. A midyear budget review is conducted by the City Manager and Director of Administrative Services to assess the City's financial position.

In addition to annual budgets, a five-year financial plan is adopted for capital projects, with the Capital Improvement Plan (CIP) updated annually as needed. Budgetary control is established at the departmental level, where department heads are responsible for ensuring expenditures do not exceed Council-approved amounts. The City uses an encumbrance accounting system to aid in budgetary control, allowing encumbered amounts to lapse at year-end but be re-appropriated in the following budget.

The budget is prepared using the modified accrual basis of accounting, recognizing revenues when they become available and measurable, and expenditures when 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.

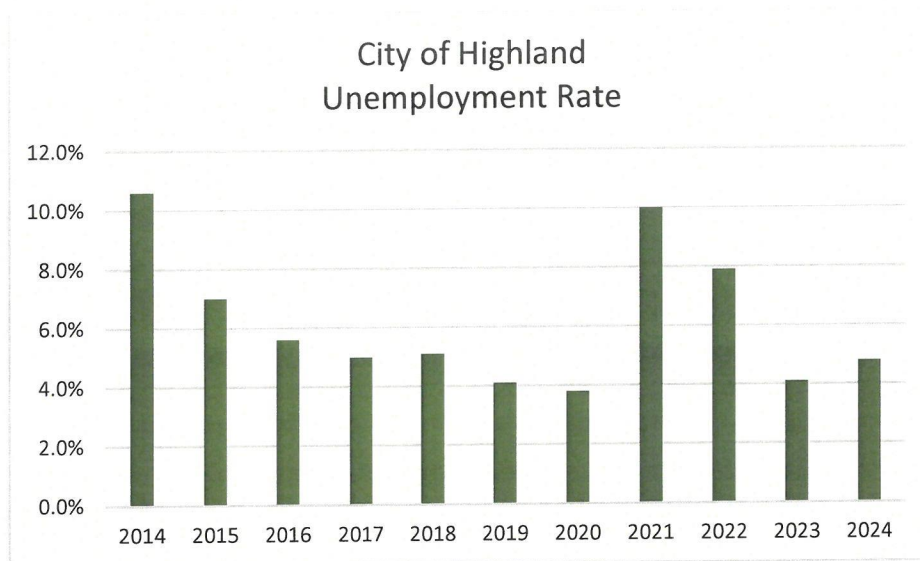
Local Economy

Over the past several years, Highland has seen an increase in General Fund revenues, primarily from property taxes and vehicle license fees. Sales and use tax have also risen consistently. Additional revenue sources, such as charges for services, extraction tax, transient occupancy tax, and franchise fees, have increased as well. Despite expenditures rising faster than revenues, careful management allowed the General Fund to be balanced for FY 2023/2024. The impact of COVID-19 on the city's finances is addressed in a separate section on Relevant Financial Policies.

In adopting the 2023-2025 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 2023/2024, the Sheriff Department contract

increased by 4.50% and the Cal-Fire contract increased by 5.00%. The Cal-Fire increase of 5.00% includes the addition of a full-time Battalion Chief position

Highland has maintained a balanced General Fund budget without resorting to layoffs, pay cuts, furloughs, or service reductions. As a primarily residential community, property taxes remain the city's largest revenue source. However, the unexpected increase in sales tax over the past five years has been beneficial. The development in the light industrial and manufacturing areas, along with small retail shops and three large commercial centers, contributes to job creation and sales tax revenues, helping to sustain a stable unemployment rate in Highland.



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 State Route 210 (SR-210), referred to as the “Golden Triangle Policy Area.” Starting in 2007, the City has spent \$13M on improving Greenspot Road and utility infrastructure to help contribute to future economic growth in this area. The investment in this area attracted the following store/restaurant openings within the past few years on the south side of Greenspot Road between SR-210 and Boulder Avenue: Lowe’s, In-N-Out, Esporta fitness club, Wing Stop, Jersey Mikes, Jamba Juice, Trendsetter Salon & Day Spa, Mountain Mikes Pizza, and 7-Eleven. Currently under construction on the northside of Greenspot Road is a Starbuck’s, Chipotle, Ono Hawaiian Barbeque, Dave’s Hot Chicken, Corky’s, two sit-down restaurants (names to be announced soon), and a Stater Bros market. In addition, the 120,000 square foot “Extra Space” self-storage facility on the southside of Greenspot Road is currently under construction, and a drive-through “Quick Quack” car wash is coming soon.

Regarding the residential side of the “Golden Triangle Policy Area,” in September 2020, the City approved a 200-unit townhome style apartment project, called San Carlo I, 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, dog park, and courtyard amenities. The units range from 915 and 1,430 square feet and offer garage parking. The project comprises twenty acres of the 105-acre project known as the “Greenspot Village & Marketplace Specific Plan.” The San Carlo I was completed in the Summer of 2024. In 2023, the developer received approval from the City to expand the San Carlo I and construct an additional 272 units to the north. San Carlo II is currently under construction and will be similar in size and massing of the first phase and will have its own access and recreational amenities.

An additional 746 multi-family units were approved in the Greenspot Village and Marketplace Specific Plan by the City in 2021 and 2022 by TREH Partners Development and Alliance Residential Company. These two projects have high level amenities, upscale architecture, multiple club houses, outdoor recreation, pools, trails, and gathering areas. In conjunction with the residential development.

A true highlight of 2023 was the City approval of a COSTCO Wholesale warehouse store in the heart of the Greenspot Village and Marketplace Specific Plan. The store will include approximately 161,000 square feet of retail and grocery shopping, an Optical Center, Pharmacy, Tire Center and Vehicle Fueling Station. Groundbreaking was held on August 20, 2024, and the Highland COSTCO store is anticipated to open on February 28, 2025.

Outside the Specific Plan, one (1) residential project was completed in 2024, called “Monte Vista” generally located near the intersection of Victoria Avenue and Pacific Street. This traditional single family style development includes several Accessory Dwelling Units (ADUs) with the primary residents to further affordable housing in the City. There are three (3) residential projects under construction in 2024. The first is Century Homes currently constructing 42 small-lot single family detached homes on the north side of Base Line west of Weaver Street. This small-lot single family subdivision will create a new mini park, offering a tot lot, open play area, barbecue, shaded picnic area and walking trail open to the public. The second development is a projected called “Messina” by Beazer Homes located along Santa Ana Canyon Road between Northfork and Alta Vista Roads. Beazer Homes is constructing 54 large single family detached homes on 10,000 square foot minimum lots with 360 degree views of the San Bernardino Mountains and Santa Ana Riverbed and they are anticipated to be completed by December 2024. The third development is the “Mediterra” Planned Residential Development with its highly anticipated 316 detached single family residential units located generally on the eastly end of Greenspot Road. Mediterra phases 1 and 2 with 99 housing units are currently being constructed by DR Horton Homes and they are expected to be completed by January 2025. Phases 3 and 4 are currently being marketed with construction anticipated by late 2025.

In terms of Multi-family housing development outside of the Greenspot Village and Marketplace Specific Plan, in October 2023 the City approved a four story 220 unit apartment development called “Halcyon” located on Sterling Avenue across from Warm Spring Elementary School. Although no permits have been issued, the project will have a

modern design and amenities including clubhouse, pool, two (2) tot lots, gathering spaces, dog run, and gymnasium.

The Town Center Policy Area 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 a retail store "Tractor Supply Company" and a handful of sit-down restaurants. 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 Bear Springs Bistro & Lounge in the newly renovated Bear Springs Hotel (formerly Hampton Inn).

Long-term Financial Planning

When Highland incorporated in 1987, initial analyses suggested it was financially unfeasible. However, today, Highland is fiscally healthy. A study by the California State Auditor ranked Highland 326 out of 430 cities in terms of financial risk, indicating it has a "low overall risk." This success is attributed to conservative expenditure practices over the past 37 years. While many cities depend heavily on sales tax, Highland has primarily relied on vehicle license fees and property tax for revenue. Its sales tax potential was diminished in 1987 when the City of San Bernardino annexed areas that could have generated sales tax for Highland.

Highland is actively developing marketing plans for its major thoroughfares—Base Line, Greenspot Road, and Fifth Street—as part of its long-term financial planning. With SR-210 running through the city and intersecting these corridors, enhancing their development is crucial for increasing the sales tax base in Highland.

In 2023, the San Bernardino County Transportation Authority (SBCTA), in cooperation with the California Department of Transportation (DOT), completed the widening of 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 to improve traffic flow with an additional lane. The project included pavement rehab on local streets including Highland Avenue and 5th St.

In addition to the SR-210 widening and pavement rehabilitation, the City partnered with San Bernardino County Transportation Authority, and California Department of Transportation to improve the Base Line Interchange. The project widened Base Line from Buckeye Street to Seine Avenue, widened three of the four existing SR-210 interchange ramps, providing overpass aesthetics, and replacing landscape. The purpose of the project was to reduce congestion and improve operational efficiency throughout the Base Line corridor at the SR-210 interchange.

The City of Highland in collaboration with the San Manuel Band of Mission Indians is currently working on the planning and environmental clearance phase for a new interchange at SR-210 and Victoria Avenue. The project would improve access to and from Victoria Avenue and relieve congestion to the nearby Highland Ave interchange. The project is not

fully funded, and the City and Tribal Government will be seeking grant funding to complete the work.

The City also recently received federal funding that partially fund improvements to the State Route 210 at 5th Street Interchange to improve traffic flow and staff has initiated the planning and environmental phase. The project includes widening 5th Street to its ultimate width, an additional lane on the eastbound on and off-ramps and the westbound on-ramp. The project is critical as it provides access to the southern side of the City with growing residential, commercial and industrial uses, and to the San Bernardino International Airport. The project is not fully funded, and staff will continue to seek additional funding to complete all project phases.

Highland's key goals include maintaining a strong fiscal base, ensuring adequate public facilities and infrastructure, providing public safety and health, enhancing the city's image, and fostering good relations among staff, commissions, and citizens. The city has demonstrated sound financial management, adhering to a pay-as-you-go philosophy since incorporation. The General Fund has no bonded debt, and reserves are used for capital projects, avoiding future debt burdens. Additionally, Highland has secured state and federal grants to maximize local tax dollars and collaborates effectively with neighboring agencies on projects that benefit the community.

Relevant Financial Policies

Prior to the passage of Proposition 1A in November 2004, California's state government frequently took funds from local governments through the Educational Revenue Augmentation Fund (ERAF) to balance its budget, significantly impacting Highland. Since 1992, Highland had paid approximately \$301,433 annually into ERAF, which continued despite Proposition 1A's protections. The state later enacted ERAF III, doubling Highland's payments for two fiscal years.

Additionally, during fiscal years 2009/2010 and 2010/2011, the state implemented the Supplemental Educational Revenue Augmentation Fund (SERAF), resulting in significant further deductions from Highland's Redevelopment Agency (RDA). Subsequent legislation, AB 1X 26 and AB 1X 27, eliminated redevelopment agencies but allowed cities to retain them by paying a "ransom," placing further financial burdens on Highland.

Despite these challenges, Highland rebounded after the RDA's dissolution, working with the Department of Finance to secure repayment of \$1.9 million in outstanding loans. As of December 2021, one loan was fully repaid, with the remaining loan scheduled for repayment by FY 2026/2027. The state also introduced SB 1, increasing gas tax revenues, which generated an additional \$1.4 million for FY 2023/2024, aimed at local street maintenance and rehabilitation.

Financial Impacts of COVID-19

As the COVID-19 pandemic continues to recede further into the fiscal distance the City through CARES Act grants, acquired personal protective equipment (PPE) for staff and

provided grants to local businesses, distributing 200 grants of \$2,500 each to help small businesses affected by the pandemic.

Additionally, the American Rescue Plan Act (ARPA) established funding to support local governments, with Highland receiving two installments totaling \$7,447,553.50. Approved expenditures included ventilation improvements on public facilities, PPE, legal services, public safety payroll, household mortgage assistance, small business support grants, cybersecurity, and various public works projects. To be in compliance with the grant requirements, these funds will be fully expended by December 31, 2024.

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 2023-2025. 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 2023-2025. The City has received this award from CSMFO every year since first applying for it in FY 1991/1992. The City will apply for these same awards for the 2025-2027 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, 2023, 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-third year that the City has received such recognition.

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.

We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the annual comprehensive financial report was made possible by the dedicated service of the entire Finance Division. Special recognition is due to Assistant Director of Administrative Services Michelle Gomez and Accountant Debbie Ludolph for their efforts in overseeing the compilation of the accounting data and interfacing with our auditors.

Credit is also due to our Finance/Personnel Subcommittee members Mayor Pro-tem Larry McCallon and Councilmember John Timmer for their guidance in preparing this report, as

well as to the entire City Council for their stewardship of Highland's finances, which has been crucial to the city's fiscal health.

Lastly, I would like to thank City Manager Carlos Zamano for his demonstration of high standards in financial management, leadership, and integrity, which are essential to maintaining Highland's fiscal health.

Respectfully submitted,

Leticia "Tish" Nava-Cruz
Director of Administrative Services/City Treasurer

**City of Highland
List of City Officials
Year ended June 30, 2024**

City Council (Elected)

Penny Lilburn, Mayor
Larry McCallon, Mayor Pro Tem
Jesse Chavez-Cordova, Councilmember
Anaeli Solano, Councilmember
John Timmer, Councilmember

Finance/Personnel Subcommittee

Larry McCallon John Timmer

Management

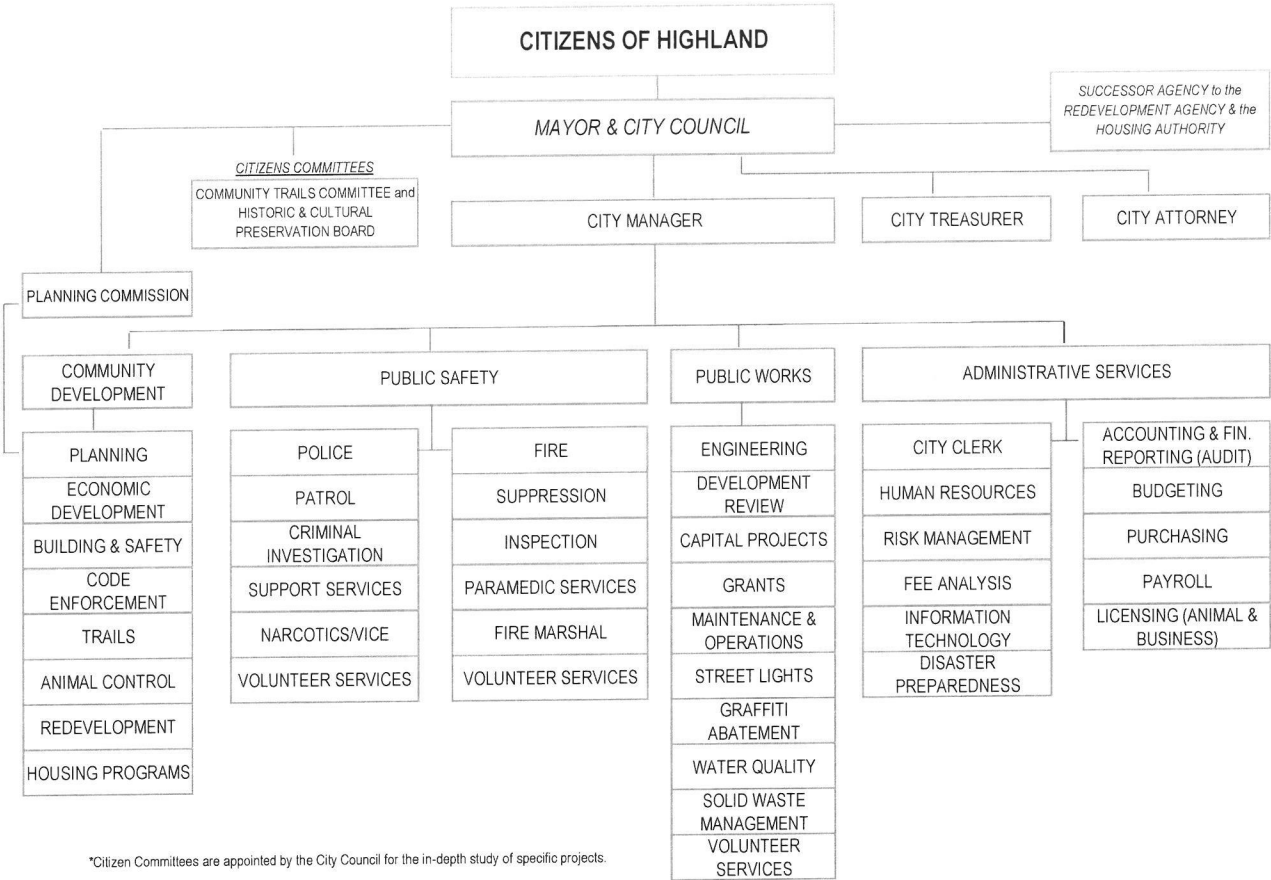
City Manager	Carlos Zamano
Community Development Director	Lawrence Mainez
Director of Administrative Services/City Treasurer	Tish Nava-Cruz
Public Works Director/City Engineer	Octavio Duran
Assistant Community Development Director	Kim Stater
Assistant Public Works Director	Matt Bennett
Assistant Director of Administrative Services	Michelle Gomez
Public Works Manager	Jim Richardson
Public Services Manager	Melissa Morgan
City Clerk	Alondra Muñoz
Building Official	Matt Wirz
Police Chief (Captain)	Casey Jiles
Lieutenant	Phill Dupper
Fire Chief (Battalion Chief)	Liz Brown

CITY OF HIGHLAND

Annual Comprehensive Financial Report

Department and Divisions Organizational Chart

June 30, 2024



*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, 2023

Christopher P. Morill

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, 2024, 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, 2024, 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.

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 _____, 2024, 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.

Van Lant & Fankhaenel, LLP

_____, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Highland's financial performance for the fiscal year ending June 30, 2024, offers an overview of the city's financial activities. It should be read alongside the transmittal letter and financial statements in the report.

Using the Accompanying Financial Statements

The annual report includes various financial statements, notably the Statement of Net Position and the Statement of Activities, which present a comprehensive view of the city's finances over the long term. Fund financial statements provide insights into how governmental services were funded in the short term and detail remaining resources for future spending. These statements focus on the city's most significant funds, offering more granular information compared to the broader government-wide statements. Additionally, some statements detail activities where the city serves as a trustee or agent for external beneficiaries.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report is structured into four main parts: management's discussion and analysis, basic financial statements, required supplementary information, and optional combining statements for nonmajor governmental and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

1. **Government-wide Financial Statements:** These two statements offer a comprehensive view of the City's financial status, covering both long-term and short-term aspects.
2. **Fund Financial Statements:** These statements focus on specific parts of the city government, providing detailed reports:
 - **Governmental Funds:** Show how short-term financing supports services like public safety and what funds remain for future use.
 - **Proprietary Funds:** Present financial information about government-operated services (e.g., water and sewer systems).
 - **Fiduciary Funds:** Detail the city's role as a trustee or agent for resources belonging to others.

The financial statements are accompanied by notes that clarify the information presented and offer further details. Additionally, a section of required supplementary information provides extra financial and budgetary insights.

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 **Government-wide Financial Statements** consist of two key reports: the Statement of Net Position and the Statement of Activities, which provide an overall view of the City's financial status. A critical question these statements address is whether the City is better or worse off after a year of activities.

These statements utilize accrual basis accounting, similar to private-sector practices, accounting for all current year revenues and expenditures regardless of when cash is received or paid. They detail the City's net position—the difference between assets & deferred outflows of resources and liabilities & deferred inflows of resources—which serves as a measure of financial health of the City. Changes in net position over time indicate trends in financial health, but it's essential to consider additional nonfinancial factors, such as property tax and sales tax base changes, as well as the condition of city infrastructure, to fully assess the City's overall well-being.

The Statement of Net Position and the Statement of Activities:

- Governmental Activities encompass the City's primary services, including general government, community development, public safety, and maintenance of highways and streets. These activities are mainly funded through sales taxes, property taxes, state subventions, charges for services, and other revenue sources.

Reporting the City's Most Significant Funds

The **Fund Financial Statements** focus on the City's most significant funds rather than its overall financial status. Some funds are mandated by state law or bond covenants, while others are established by the City Council to manage specific resources and demonstrate accountability for taxes, grants, and other revenues.

1. **Governmental Funds:** These funds report most basic city services, detailing how money flows in and out and the available year-end balances. They use modified accrual accounting, which measures cash and other current financial assets easily convertible to cash. Governmental Fund Statements provide a short-term view of operations, helping assess available financial resources for future programs. Reconciliation at the bottom of the statements clarifies the relationship between governmental activities and funds.
2. **Proprietary Funds:** These funds account for services the City charges customers for, whether external or internal. Proprietary funds follow the same reporting approach as the Government-wide Statements. The City does not have enterprise funds but utilizes internal service funds to report activities that supply services to other City programs.

Reporting the City's Fiduciary Responsibilities

The City acts as an agent for certain assets held for other organizations and individuals, which are reported separately in a Statement of Fiduciary Assets. These fiduciary activities are excluded from the City's other financial statements because the City cannot use these assets for its own operations. The City is responsible for ensuring that these assets are used as intended. Currently, the fiduciary funds include 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, 2024			
Governmental Activities			
	2024		2023
Current and Other Assets	\$ 106,234,148	\$	94,577,385
Capital Assets, Net	233,584,917		229,914,903
Total Assets	339,819,065		324,492,288
Deferred Outflows of Resources	2,832,704		2,859,158
Long-term Liabilities	14,533,394		13,976,464
Other Liabilities	13,303,144		15,459,033
Total Liabilities	27,836,538		29,435,497
Deferred Inflows of Resources	2,573,896		2,816,453
Net Position:			
Net Investment in Capital Assets	227,382,396		223,919,610
Restricted	37,579,260		39,786,722
Unrestricted	47,279,679		31,393,164
Total Net Position	\$ 312,241,335	\$	295,099,496

The City's net position consists of three main components:

1. **Investments in Capital Assets (72.8%):** This portion reflects investments in assets like land, buildings, and infrastructure, minus any outstanding debt related to these assets.

These assets are used to provide services to citizens and are not available for future spending.

2. **Restricted Net Position (12%):** This represents resources that are subject to external restrictions on their use, such as funds for gas taxes, development impact fees, and special revenue funds.
3. **Unrestricted Net Position (15.1%):** This portion can be used for day-to-day operations without restrictions from debt covenants or legal requirements. An example is the general fund.

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

Changes in Net Position

June 30, 2024

Governmental Activities

	2024	2023
Program Revenues:		
Charges for Services	\$ 14,032,601	\$ 7,772,261
Operating Contributions & Grants	3,725,597	3,956,124
Capital Contributions & Grants	9,625,434	9,547,768
Total Program Revenues	27,383,632	21,276,153
General Revenues:		
Property Taxes	18,199,744	16,627,854
Sales & Use Tax	3,846,323	4,057,069
Transient Occupancy Tax	272,875	265,074
Franchise Fees	2,056,095	2,091,919
Business License Tax	471,486	546,140
Other	70,325	58,359
Investment Income	2,064,776	570,764
Miscellaneous	170,325	167,045
Total General Revenues	27,151,949	24,384,224
Total Revenues	54,535,581	45,660,377
Expenses:		
General Government	2,785,024	2,415,060
Public Safety	20,687,768	19,982,109
Public Works	9,721,374	13,683,221
Community Development	4,199,576	4,022,217
Total Expenses	37,393,742	40,102,607
Changes in Net Position	17,141,839	5,557,770
Change in Net Position	17,141,839	5,557,770
Beginning Net Position	295,099,496	289,541,726
Ending Net Position	\$ 312,241,335	\$ 295,099,496

The Change in Net Position indicates whether the City's overall financial health improved or declined over the year. For the City's Governmental Activities, Net Position increased by 5.8%, rising from \$295.1 million to \$312.2 million. This change reflects fluctuations in revenue and expenditures during the year.

- **Revenue Increase:** The increase in total program revenues is attributed to higher charges for services and property taxes. Grants, both operating and capital, can vary yearly and affect program revenues based on their timing. Overall, general revenues increased in 2023/2024, primarily due to a rise in sales tax from the addition of more commercial and point-of-sale businesses like Amazon. Other revenues, including franchise fees, investment income, and miscellaneous revenues, showed slight increases or decreases.
- **Expenditure Decrease:** Total expenditures in Public Works decreased due to reduced capital activity. Spending on Public Works can fluctuate annually based on the availability of grant funds and resources like the Measure I fund, Development Impact Fee fund, and Capital Improvements fund. In contrast, Public Safety expenditures increased, mainly driven by higher costs for the Sheriff's Department and Cal-Fire services for police, fire suppression, and paramedic support.

For the reasons stated above, the City's Net Position increased by \$17.1M (\$295.1M to \$312.2M).

Revenues & Expenses by Source Governmental Activities

	2024	%	2023	%
Revenues By Source				
Charges for Services	\$ 14,032,601	25.7%	\$ 7,772,261	17.0%
Operating Contributions & Grants	3,725,597	6.8%	3,956,124	8.7%
Capital Contributions & Grants	9,625,434	17.6%	9,547,768	20.9%
Property Taxes	18,199,744	33.4%	16,627,854	36.4%
Sales & Use Tax	3,846,323	7.1%	4,057,069	8.9%
Transient Occupancy Tax	272,875	0.5%	265,074	0.6%
Franchise Fees	2,056,095	3.8%	2,091,919	4.6%
Business License Tax	471,486	0.9%	546,140	1.2%
Other	70,325	0.1%	58,359	0.1%
Gain on Sale of Capital Asset	-	0.0%	-	0.0%
Investment Income	2,064,776	3.8%	570,764	1.3%
Miscellaneous	170,325	0.3%	167,045	0.4%
Total Revenues	\$ 54,535,581	100.0%	\$ 45,660,377	100.0%
Expenses By Source				
General Government	2,785,024	7.4%	2,415,060	6.0%
Public Safety	20,687,768	55.3%	19,982,109	49.8%
Public Works	9,721,374	26.0%	13,683,221	34.1%
Community Development	4,199,576	11.2%	4,022,217	10.0%
Total Expenses	\$ 37,393,742	100.0%	\$ 40,102,607	100.0%

MAJOR FUNDS

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

Major Governmental Funds

The **General Fund** serves as the City's primary operating fund, with a total fund balance of \$23,906,128 at the end of the fiscal year. This balance is divided into two categories: Nonspendable and Spendable.

- **Nonspendable** funds cannot be used because they are not in a spendable form, such as inventory.
- **Spendable** funds are further classified into three sub-categories:
 - **Restricted:** Funds with limitations on their use.
 - **Committed:** Funds that the City Council has dedicated to specific projects or purposes.
 - **Assigned:** Funds that the City Council has authorized the City Manager to allocate for specific projects or intents.

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

- **Revenue Increase:** Total revenues (excluding transfers) rose by \$2,638,778. Taxes increased by 5.1% (\$1,202,820) due to rising property values. Licenses and Permits saw a 3.1% increase (\$36,288) from more building permit activity. Charges for Services rose by 13.6% (\$266,193) due to more planning and engineering applications, while interest income surged by \$1,156,022 due to higher interest rates.
- **Expenditure Increase:** Total expenditures (excluding transfers) grew by \$3,230,803. General government expenditures increased by 22% (\$424,889), and public safety expenditures (including police, fire, and animal control) rose by 13.3% (\$1,984,699). In FY 2023/2024, annual contract increases for Police and Fire were mitigated by a one-time federal grant from the American Rescue Plan Act related to COVID-19.

Fund balance in the general fund increased by \$2,791,883 due to the reasons stated above.

The **Major Grants** fund is used to manage federal grants that do not require separate accounting, making it more efficient to track these funds collectively.

- **Revenue and Expenditure Dynamics:** Typically, revenues should match expenditures in this fund. However, delays in reimbursement for certain projects can lead to expenditures exceeding revenues, resulting in negative fund balances. Occasionally, revenue may be received before project expenditures are incurred. Grants not received in 2023/2024 are anticipated to be collected in fiscal year 2024/2025.
- **Expenditure Decrease:** Expenditures in this fund decreased by \$867,877, primarily due to fewer capital projects constructed in the current year. The use of grants can fluctuate from year to year.

The **Grants** fund accounts for non-federal grants that do not require separate tracking, as well as joint projects with local municipalities, providing a more efficient and manageable approach to fund management.

Key Changes:

- **Revenue Increase:** Total revenues increased by \$1,899,211, mainly due to the timing of fund receipts and expenditures.
- **Expenditure Increase:** Overall expenditures rose by \$899,191, driven by higher grant and joint project activity in 2023/2024 compared to 2022/2023. Significant capital project activity included initiatives like the Mobile Source Reduction Committee (MSRC), Rubberized Asphalt Concrete (RAC), and the State & Local Partnership Program (SLPP). Joint projects involved street improvements with neighboring cities, the Inland Valley Development Agency (IVDA), and the San Manuel Band of Mission Indians.
- **Fund Balance Decrease:** The fund balance decreased by \$552,862, primarily as a result of work performed and reimbursed during 2023/2024.

The **Development Impact Fee (DIF)** fund is designed to finance the construction or expansion of off-site capital improvements needed for new development.

Key Changes:

- **Revenue Increase:** In 2023/2024, revenues rose by \$5,016,376, reflecting a higher amount of development impact fees received.
- **Expenditure Decrease:** Expenditures decreased by \$1,904,348, as the fund was more actively used for capital projects in 2022/2023 compared to 2023/2024.
- **Fund Balance Increase:** The fund balance increased by \$6,856,710, with expectations of heightened activity in fiscal year 2024/2025.

The **Capital Improvements** fund was established on January 1, 2016, to manage the former RDA bond proceeds transferred to the City and Housing Authority with the Department of Finance's approval.

Key Changes:

- **Revenue Increase:** Revenues in the fund rose by \$208,104 in 2023/2024.
- **Expenditure Increase:** Expenditures also increased by \$131,078, as the fund continues to utilize the former RDA bond proceeds. Capital project construction activity is expected to rise in fiscal year 2024/2025.
- **Fund Balance Impact:** With interest income being the primary revenue source, the fund balance is projected to decrease over the coming years as expenditures continue.

GENERAL FUND-BUDGET

The total expenditures of the General Fund for 2023/2024 did not exceed total appropriations. Key differences between the original and final amended budgets include:

Significant Increases in Expenditures:

- The Police Department's budget increased due to a contract increase with the San Bernardino County Sheriff.

- A \$1,000,000 transfer from the General Fund to the General Capital Financing fund to support future capital project expenditures.
- A \$300,000 transfer to the General Services fund to help with current and future expenditures.

Budgetary Variances:

- The City received two allocations from the American Rescue Plan Act (ARPA), each for \$7,447,553.50, in June 2021 and June 2022. The first allocation was used in FY 2023/2024 to help offset costs in the Police and Fire Departments, leading to significant expenditure variances. These funds will continue to be used in early fiscal year 2024/2025.

Revenue Changes:

- The City experienced an increase in actual revenues compared to budgeted revenues, with some revenues rising, some declining, and many remaining stable.

Additional information on the City's budget adjustments and policies can be found in the notes to required supplementary information on page 69.

CAPITAL ASSETS

Capital Assets (net of depreciation)

Governmental Activities

	2024	2023
Land	\$ 4,485,030	\$ 4,485,030
Rights of Way	90,490,553	89,966,309
Construction in Progress	18,503,772	12,834,311
Buildings & Improvements	19,816,658	20,453,107
Equipment, Furniture & Software	1,089,773	1,016,756
Vehicles	1,909,586	1,601,057
Infrastructure	97,289,545	99,558,333
Total	\$ 233,584,917	\$ 229,914,903

The major additions to capital assets during the year ended June 30, 2024, were as follows:

- Park fencing at Highland Community Park.
- City Hall Roof Repair
- Polaris Ranger for Police Department
- Fire Training Facility at Fire Station 3

Infrastructure additions include but are not limited to:

- Project No. SIG 19-001 9th Street & Lankershim Avenue Signal Modification

- Project No. STR 20-002 Pacific Street Pavement Rehabilitation (Historic District)
- Project No. SWK 19-001 9th Street, Base Line, Boulder, Olive ADA Article 3
- Project No. SWK 21-001 Messina & Seine Avenue Sidewalk GAP

Additional information on the City's capital assets can be found in the notes to the financial statements starting on page 53.

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 54.

Contacting the City's Financial Management:

This financial report aims to provide citizens, taxpayers, customers, investors, and creditors with an overview of the City's finances and demonstrate accountability for the funds received. For questions or additional financial information, contact Leticia Nava-Cruz, Director of Administrative Services/City Treasurer, at the City of Highland, 27215 Base Line, Highland, California, 92346.

BASIC FINANCIAL STATEMENTS

City of Highland
Statement of Net Position
June 30, 2024

	Governmental Activities
ASSETS	
Cash and Investments	\$ 94,095,104
Receivables:	
Accounts	1,363,364
Interest	843,337
Property Taxes	208,815
Loans	695,728
Leases	2,133,375
Due from Other Governments	6,162,667
Advance to Successor Agency	719,997
Prepaid Items	11,761
Capital Assets, Not Being Depreciated	113,479,355
Capital Assets, Net of Depreciation	120,105,562
Total Assets	<u>339,819,065</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Related Items	178,807
Pension Related Items	2,653,897
Total Deferred Outflows of Resources	<u>2,832,704</u>
LIABILITIES	
Accounts Payable	4,545,264
Accrued Liabilities	141,621
Retention Payable	459,777
Deposits Payable	1,203,470
Unearned Revenue	6,953,012
Noncurrent Liabilities:	
Due Within One Year	218,961
Due in More Than One Year	14,314,433
Total Liabilities	<u>27,836,538</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Related Items	257,090
Pension Related Items	183,431
Lease Related	2,133,375
Total Deferred Inflows of Resources	<u>2,573,896</u>
NET POSITION	
Net Investment in Capital Assets	227,382,396
Restricted for:	
Public Safety	-
Public Works	37,199,325
Community Development	379,935
Unrestricted	47,279,679
Total Net Position	<u><u>\$ 312,241,335</u></u>

The accompanying notes are an integral part of this statement.

City of Highland
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 2,785,024	\$ 2,481,675	\$ 63,020	\$ -	\$ (240,329)
Public Safety	20,687,768	1,990,959	189,091	-	(18,507,718)
Public Works	9,721,374	6,897,184	3,293,681	9,625,434	10,094,925
Community Development	4,199,576	2,662,783	179,805	-	(1,356,988)
Total Governmental Activities	<u>\$ 37,393,742</u>	<u>\$ 14,032,601</u>	<u>\$ 3,725,597</u>	<u>\$ 9,625,434</u>	<u>(10,010,110)</u>
General Revenues:					
Taxes:					
Property Tax					18,199,744
Sales and Use Tax					3,846,323
Transient Occupancy Tax					272,875
Franchise Tax					2,056,095
Business Licenses Tax					471,486
Other					70,325
Gain on Sale of Capital Assets					-
Investment Income					2,064,776
Miscellaneous					<u>170,325</u>
Total General Revenues					<u>27,151,949</u>
Change in Net Position					17,141,839
Net Position - Beginning of Year					<u>295,099,496</u>
Net Position - End of Year					<u>\$ 312,241,335</u>

The accompanying notes are an integral part of this statement.

**City of Highland
Balance Sheet
Governmental Funds
June 30, 2024**

		Special Revenue		Capital Projects
	General	Grants	Major Grants	Capital Improvements
ASSETS				
Cash and Investments	\$ 24,999,398	\$ 10,801,701	\$ 4,854,800	\$ 5,953,340
Receivables:				
Accounts	1,282,514	-	-	-
Interest	304,304	-	-	34,849
Property Taxes	183,895	-	-	-
Loans	-	-	-	-
Leases	1,236,266	-	-	-
Due from Other Governments	940,714	2,019,891	1,594,218	-
Due from Other Funds	304,007	-	-	-
Advance to Successor Agency	575,997	-	-	-
Prepaid Items	11,761	-	-	-
Total Assets	\$ 29,838,856	\$ 12,821,592	\$ 6,449,018	\$ 5,988,189
LIABILITIES				
Accounts Payable	\$ 2,573,966	\$ 343,658	\$ 274,363	\$ 46,341
Accrued Liabilities	104,846	-	-	3,501
Retention Payable	-	202,081	190,605	52,855
Deposits Payable	1,203,470	-	-	-
Unearned Revenue	814,180	222,970	5,915,862	-
Due to Other Funds	-	-	-	-
Total Liabilities	4,696,462	768,709	6,380,830	102,697
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	-	1,910,958	1,581,222	-
Lease Related	1,236,266	-	-	-
Total Deferred Inflows of Resources	1,236,266	1,910,958	1,581,222	-
FUND BALANCES (DEFICITS)				
Nonspendable	587,758	-	-	-
Restricted	-	10,141,925	-	5,885,492
Committed	-	-	-	-
Assigned	18,052,871	-	-	-
Unassigned	5,265,499	-	(1,513,034)	-
Total Fund Balances	23,906,128	10,141,925	(1,513,034)	5,885,492
Total Liabilities, Deferred Inflows and Fund Balances	\$ 29,838,856	\$ 12,821,592	\$ 6,449,018	\$ 5,988,189

The accompanying notes are an integral part of this statement.

Capital Projects Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
\$ 14,415,174	\$ 27,061,029	\$ 88,085,442
-	73,456	1,355,970
152,167	288,219	779,539
-	24,920	208,815
-	695,728	695,728
-	897,109	2,133,375
-	1,607,844	6,162,667
-	-	304,007
-	144,000	719,997
-	-	11,761
<u>\$ 14,567,341</u>	<u>\$ 30,792,305</u>	<u>\$ 100,457,301</u>
\$ 2,070	\$ 1,273,512	\$ 4,513,910
-	25,978	134,325
-	14,236	459,777
-	-	1,203,470
-	-	6,953,012
-	304,007	304,007
<u>2,070</u>	<u>1,617,733</u>	<u>13,568,501</u>
-	690,871	4,183,051
-	897,109	2,133,375
-	1,587,980	6,316,426
-	-	587,758
14,565,271	18,877,157	49,469,845
-	-	-
-	8,831,254	26,884,125
-	(121,819)	3,630,646
<u>14,565,271</u>	<u>27,586,592</u>	<u>80,572,374</u>
<u>\$ 14,567,341</u>	<u>\$ 30,792,305</u>	<u>\$ 100,457,301</u>

City of Highland
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

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

Fund Balances of Governmental Funds	\$ 80,572,374
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When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Capital Assets, Not Being Depreciated	113,479,355
Capital Assets, Being Depreciated	225,936,522
Accumulated Depreciation	<u>(105,830,960)</u>
	233,584,917

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	(721,300)
SBCTA Loan Payable	(6,202,521)
Net Pension Liability	(6,350,964)
Total OPEB Liability	<u>(1,107,609)</u>
	(14,382,394)

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	2,653,897
Deferred Inflows Related to Pensions	(183,431)
Deferred Outflows Related to OPEB	178,807
Deferred Inflows Related to OPEB	(257,090)

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,183,051
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Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance, self-insurance, and information technology, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

Net Position of Governmental Activities	<u><u>\$ 312,241,335</u></u>
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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, 2024

	General Fund	Special Revenue		Capital Projects
		Grants	Major Grants	Capital Improvements
REVENUES				
Taxes	\$ 24,596,265	\$ -	\$ -	\$ -
Licenses and Permits	1,213,524	-	-	-
Intergovernmental	477,165	3,242,890	3,872,717	-
Charges for Services	2,220,731	-	-	-
Fines and Forfeitures	19,507	-	-	-
Investment Income	1,618,442	-	-	443,892
Rental Income	137,601	-	-	-
Miscellaneous	20,999	-	-	-
Total Revenues	<u>30,304,234</u>	<u>3,242,890</u>	<u>3,872,717</u>	<u>443,892</u>
EXPENDITURES				
Current:				
General Government	2,355,919	-	-	-
Public Safety	16,962,570	-	1,114,515	-
Public Works	1,962,548	564,208	31,813	249,035
Community Development	3,027,967	-	28,364	-
Capital Outlay	<u>438,309</u>	<u>3,231,544</u>	<u>2,982,465</u>	<u>839,866</u>
Total Expenditures	<u>24,747,313</u>	<u>3,795,752</u>	<u>4,157,157</u>	<u>1,088,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,556,921</u>	<u>(552,862)</u>	<u>(284,440)</u>	<u>(645,009)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	<u>(2,765,038)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,765,038)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,791,883	(552,862)	(284,440)	(645,009)
Fund Balances, Beginning of Year	<u>21,114,245</u>	<u>10,694,787</u>	<u>(1,228,594)</u>	<u>6,530,501</u>
Fund Balances, End of Year	<u>\$ 23,906,128</u>	<u>\$ 10,141,925</u>	<u>\$ (1,513,034)</u>	<u>\$ 5,885,492</u>

Capital Projects Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,406,236	\$ 26,002,501
-	-	1,213,524
-	5,161,457	12,754,229
6,571,535	1,282,972	10,075,238
-	58,248	77,755
567,245	1,275,011	3,904,590
-	120,167	257,768
-	26,412	47,411
<u>7,138,780</u>	<u>9,330,503</u>	<u>54,333,016</u>
-	-	2,355,919
-	1,946,604	20,023,689
510	3,587,163	6,395,277
-	425,520	3,481,851
<u>488,788</u>	<u>541,527</u>	<u>8,522,499</u>
<u>489,298</u>	<u>6,500,814</u>	<u>40,779,235</u>
<u>6,649,482</u>	<u>2,829,689</u>	<u>13,553,781</u>
207,228	-	207,228
-	2,610,063	2,610,063
-	(145,025)	(2,910,063)
<u>207,228</u>	<u>2,465,038</u>	<u>(92,772)</u>
6,856,710	5,294,727	13,461,009
<u>7,708,561</u>	<u>22,291,865</u>	<u>67,111,365</u>
<u>\$ 14,565,271</u>	<u>\$ 27,586,592</u>	<u>\$ 80,572,374</u>

The accompanying notes are an integral part of this statement.

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, 2024

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

Net Changes in Fund Balances - Total Governmental Funds \$ 13,461,009

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	9,479,758
Depreciation Expense	(5,729,217)
Loss on Disposal	(80,527)

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. 208,280

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	187,290
Net Pension Liability	(495,516)
Total OPEB Liability	(39,476)

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	(207,228)
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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	(11,568)
Deferred Inflows Related to Pensions	103,108
Deferred Outflows Related to OPEB	(14,886)
Deferred Inflows Related to OPEB	(13,473)

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.

300,000

Change in Net Position of Governmental Activities

\$ 17,147,554

The accompanying notes are an integral part of this statement.

**City of Highland
Statement of Net Position
Proprietary Funds
June 30, 2024**

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current:	
Cash and Investments	\$ 6,009,662
Receivables:	
Accounts	7,394
Interest	<u>63,798</u>
Total Assets	<u>6,080,854</u>
LIABILITIES	
Current:	
Accounts Payable	31,354
Accrued Liabilities	7,296
Claims Payable	<u>16,000</u>
Total Current Liabilities	<u>54,650</u>
Noncurrent:	
Claims Payable	<u>135,000</u>
Total Noncurrent Liabilities	<u>135,000</u>
Total Liabilities	<u>189,650</u>
NET POSITION	
Unrestricted	<u>5,891,204</u>
Total Net Position	<u><u>\$ 5,891,204</u></u>

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, 2024

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for Services	\$ 1,176,607
Miscellaneous	2,442
Total Operating Revenue	<u>1,179,049</u>
OPERATING EXPENSES	
Salaries and Benefits	160,973
Insurance Premiums	494,858
Claims and Judgments	2,370
Legal Fees	26,888
Administrative Expenses	767,775
Insurance Adjusting Fees	-
Total Operating Expenses	<u>1,452,864</u>
Operating Income (Loss)	<u>(273,815)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Revenue	<u>273,815</u>
Total Nonoperating Revenues (Expenses)	<u>273,815</u>
Income (Loss) before Contributions and Transfers	-
Transfers in	<u>300,000</u>
Change in Net Position	300,000
Total Net Position, Beginning of Year	<u>5,591,204</u>
Total Net Position, End of Year	<u><u>\$ 5,891,204</u></u>

The accompanying notes are an integral part of this statement.

**City of Highland
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 1,173,480
Cash Payments to Employees for Services	(160,371)
Cash Payments Made to Suppliers/Vendors	<u>(1,269,860)</u>
Net Cash Provided (Used) by Operating Activities	<u>(256,751)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Other Funds	<u>300,000</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>300,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>250,736</u>
Net Cash Provided (Used) by Investing Activities	<u>250,736</u>
Net Increase (Decrease) in Cash and Cash Equivalents	293,985
Cash and Cash Equivalents, Beginning of the Year	<u>5,715,677</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 6,009,662</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>\$ (273,815)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Accounts Receivable	(5,569)
Increase (Decrease) in Accounts Payable	20,031
Increase (Decrease) in Accrued Liabilities	602
Increase (Decrease) in Claims Payable	<u>2,000</u>
Total Adjustments	<u>17,064</u>
Total Cash Provided (Used) by Operating Activities	<u><u>\$ (256,751)</u></u>

The accompanying notes are an integral part of this statement.

**City of Highland
Statement of Net Position
Fiduciary Funds
June 30, 2024**

	Successor Agency Private-purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Investments	\$ 2,336,969	\$ -
Restricted Assets:		
Cash and Investments with Fiscal Agents	1,159,716	1,274,111
Total Assets	<u>3,496,685</u>	<u>1,274,111</u>
LIABILITIES		
Accounts Payable	-	-
Accrued Interest Payable	408,772	-
Advance from City of Highland	719,997	-
Long Term Liabilities:		
Due within one year	2,098,800	-
Due in more than one year	33,767,392	-
Total Liabilities	<u>36,994,961</u>	<u>-</u>
NET POSITION		
Net Position Held for the Benefit of Others	-	1,274,111
Net Position (Deficit) Held in Trust for Successor Agency	<u>(33,498,276)</u>	<u>-</u>
Total Net Position	<u>\$ (33,498,276)</u>	<u>\$ 1,274,111</u>

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, 2024

	Successor Agency Private-purpose Trust Fund	Custodial Fund
ADDITIONS		
Taxes and Assessments	\$ 3,498,799	\$ 46,139
Interest Income	63,307	-
Total Additions	<u>3,562,106</u>	<u>46,139</u>
DEDUCTIONS		
Administrative Expenses	17,545	-
Interest and Fiscal Charges	<u>1,423,346</u>	<u>-</u>
Total Deductions	<u>1,440,891</u>	<u>-</u>
Change in Net Position	2,121,215	46,139
Net Position, Beginning of Year	<u>(35,619,491)</u>	<u>1,227,972</u>
Net Position, End of Year	<u>\$ (33,498,276)</u>	<u>\$ 1,274,111</u>

The accompanying notes are an integral part of this statement.

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days, except for grants which are considered available if they are collected within 90 days after year-end.

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

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

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

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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 and custodial fund which are reported using the economic resources measurement focus.

C) Fund Classifications

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

The City reports the following major governmental funds:

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

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

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

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

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

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 as an agent for individuals, private organizations and other governmental units. Cash and deposits are maintained for debt for which the City is not obligated.

D) Cash and Investments

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

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

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

E) Advances to Successor Agency

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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 45 hours, comp time earned up to 80 hours, and administration time may be accumulated up to 160 hours.

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

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

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.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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 assets 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 Total 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 assets 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 and 75.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Highland's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q) Other Postemployment Benefits (OPEB)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used: July 1, 2023 Valuation Date, June 30, 2023 Measurement Date, and July 1, 2022 through June 30, 2023 Measurement Period.

R) Long-term Obligations

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

2) CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	\$ 94,095,104
Statement of Fiduciary Net Position:	
Cash and Investments	2,336,969
Cash and Investments with Fiscal Agents	2,433,827
Total Cash and Investments	<u>\$ 98,865,900</u>

Cash and Investments consist of the following:

Cash on Hand	\$ 1,150
Deposits with Financial Institutions	8,594,842
Investments	90,269,908
Total Cash and Investments	<u>\$ 98,865,900</u>

Investments Authorized by the City's Investment Policy

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

2) CASH AND INVESTMENTS – Continued

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.

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:

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

2) CASH AND INVESTMENTS - Continued

Investment Type	Total June 30, 2024	Remaining Maturity		
		12 Months or Less	1 to 2 Years	2 to 5 Years
CAMP	\$ 11,488,004	\$ 11,488,004	\$ -	\$ -
LAIF	76,348,077	76,348,077	-	-
Held by Bond Fiscal Agent:				
Money Market Mutual Funds:				
Successor Agency	1,159,716	1,159,716	-	-
CFD	1,274,111	1,274,111	-	-
Total Pooled Investments	<u>\$ 90,269,908</u>	<u>\$ 90,269,908</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

Investment Type	Total June 30, 2024	Minimum Legal Rating	Not	
			AAA	Rated
CAMP	\$ 11,488,004	N/A	\$ 11,488,004	\$ -
LAIF	76,348,077	N/A	-	76,348,077
Held by Bond Fiscal Agent:				
Money Market Mutual Funds:				
Successor Agency	1,159,716	A	-	1,159,716
CFD	1,274,111	A	-	1,274,111
Total Pooled Investments	<u>\$ 90,269,908</u>		<u>\$ 11,488,004</u>	<u>\$ 78,781,904</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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:

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

2) CASH AND INVESTMENTS - Continued

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, 2024, the City's and the Successor Agency's deposits (bank balances) were either insured by the Federal Depository Insurance Corporation or collateralized under California Law.

Fair Value

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

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

Investment in State Investment Pool

The City is a voluntary participant in the LAIF which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

2) CASH AND INVESTMENTS - Continued

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, 2024 are as follows:

Due From (Receivable)	Due to (Payable)	Amount
General Fund	Other Governmental Funds	\$ 304,007
		<u>\$ 304,007</u>

Interfund balances are composed of short-term borrowings to cover deficit cash. Borrowings are expected to be repaid in the 2023-24 fiscal year.

Advances to Successor Agency consist of the following:

Advances From	Amount
General Fund	\$ 575,997
Housing Authority	
Special Revenue Fund	144,000
Total	<u>\$ 719,997</u>

The advances from the General 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.

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 2023-24 fiscal year consist of the following:

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 2,465,038
	Internal Service Funds	300,000
Other Governmental Funds	Other Governmental Funds	145,025
		<u>\$ 2,910,063</u>

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

The transfer from the General Fund to the General Capital Financing Fund included \$1,000,000 for Future Projects. The General Fund (Fire Department) transferred \$1,282,943 to the Paramedic Department Special Revenue Fund to fund a shortage of medic tax revenue. The General Fund transferred \$300,000 to the Internal Service Funds (General Services and Insurance Services Fund) to fund future expenditures. The General Fund transferred \$57,581 to the Parks Maintenance District to fund a shortage in operating costs. The General Fund also transferred \$124,514 to other nonmajor governmental funds to cover current year operating costs.

The General Capital Financing Fund also transferred \$145,025 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, 2024 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 4,485,030	\$ -	\$ -	\$ -	\$ 4,485,030
Rights of Way	89,966,309	-	-	524,244	90,490,553
Construction in Progress	12,834,311	8,316,276	-	(2,646,815)	18,503,772
Total Capital Assets, Not Being Depreciated	107,285,650	8,316,276	-	(2,122,571)	113,479,355
Capital Assets Being Depreciated:					
Buildings and Improvements	40,354,611	297,841	-	169,831	40,822,283
Equipment, Furniture, and Software	5,132,738	339,173	-	-	5,471,911
Vehicles	3,464,176	489,953	-	-	3,954,129
Infrastructure - Road System	153,783,287	-	(267,599)	1,952,740	155,468,428
Infrastructure - Storm Drains	20,183,256	36,515	-	-	20,219,771
Total Capital Assets Being Depreciated	222,918,068	1,163,482	(267,599)	2,122,571	225,936,522
Less Accumulated Depreciation:					
Buildings and Improvements	(19,901,504)	(1,104,121)	-	-	(21,005,625)
Equipment, Furniture, and Software	(4,115,982)	(266,156)	-	-	(4,382,138)
Vehicles	(1,863,119)	(181,424)	-	-	(2,044,543)
Infrastructure - Road System	(69,954,463)	(3,898,534)	187,072	-	(73,665,925)
Infrastructure - Storm Drains	(4,453,747)	(278,982)	-	-	(4,732,729)
Total Accumulated Depreciation	(100,288,815)	(5,729,217)	187,072	-	(105,830,960)
Net Capital Assets Being Depreciated	122,629,253	(4,565,735)	(80,527)	2,122,571	120,105,562
Total Governmental Activities Capital Asset	\$ 229,914,903	\$ 3,750,541	\$ (80,527)	\$ -	\$ 233,584,917

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

General Government	\$ 144,584
Public Safety	664,079
Public Works	4,202,829
Community Development	717,725
Total	<u>\$ 5,729,217</u>

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

5) LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2024:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Claims Payable	\$ 149,000	\$ 11,858	\$ 9,858	\$ 151,000	\$ 14,000
Compensated Absences	908,590	-	187,290	721,300	168,176
SBCTA Loan Payable	5,995,293	207,228	-	6,202,521	-
Total OPEB Liability	1,068,133	39,476	-	1,107,609	36,785
Net Pension Liability	5,855,448	495,516	-	6,350,964	-
Total	\$ 13,976,464	\$ 754,078	\$ 197,148	\$ 14,533,394	\$ 218,961

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, 2024 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, 2024 for general liability claims amounted to \$151,000 and none for workers' compensation claims.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. J. The net change in compensated absences is included in the long-term debt note.

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, 2024 is equal to \$6,202,521.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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	\$ 535,000	\$ -	\$ 260,000	\$ 275,000	\$ 275,000
2015A	9,630,000	-	435,000	9,195,000	455,000
Unamortized Premium	679,662	-	58,112	621,550	58,112
2017 Refunding	27,415,000	-	1,300,000	26,115,000	1,335,000
Unamortized Discount	(364,670)	-	(24,312)	(340,358)	(24,312)
Total	<u>\$ 37,894,992</u>	<u>\$ -</u>	<u>\$ 2,028,800</u>	<u>\$ 35,866,192</u>	<u>\$ 2,098,800</u>

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, 2024, the outstanding balance of the bonds was \$275,000.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 275,000	\$ 7,769	\$ 282,769
Totals	<u>\$ 275,000</u>	<u>\$ 7,769</u>	<u>\$ 282,769</u>

2015A Tax Allocation Bonds

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

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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, 2024, the outstanding balance of the bonds was \$9,195,000, with future debt service requirements as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	\$ 9,195,000	\$ 2,184,063	\$ 11,379,063

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, 2024, the outstanding balance of the bonds was \$26,115,000. Future debt service requirements for the 2017 Bonds are as follows:

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

6) FIDUCIARY FUND LONG-TERM DEBT - Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 1,335,000	\$ 902,944	\$ 2,237,944
2026	1,385,000	862,894	2,247,894
2027	1,420,000	821,344	2,241,344
2028	1,465,000	776,969	2,241,969
2029	1,515,000	727,525	2,242,525
2030	1,570,000	676,394	2,246,394
2031	1,625,000	623,406	2,248,406
2032	1,675,000	568,562	2,243,562
2033	1,735,000	512,031	2,247,031
2034	1,800,000	449,138	2,249,138
2035	1,860,000	383,887	2,243,887
2036	2,805,000	316,462	3,121,462
2037	2,910,000	214,781	3,124,781
2038	3,015,000	109,294	3,124,294
Totals	<u>\$ 26,115,000</u>	<u>\$ 7,945,631</u>	<u>\$ 34,060,631</u>

7) PENSION PLAN

General Information about the Defined Benefit Pension Plan

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

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2022 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2022 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, 2024, are summarized as follows:

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

7) PENSION PLAN - Continued

	Miscellaneous	Miscellaneous PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	1-year average	Last 36 Mos. of Service
Required employee contribution rates	7%	8.25%
Required employer contribution rates	13.26% + \$454,645	8.00%

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 \$454,645 in fiscal year 2024.

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, 2024, the City reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$6,350,964.

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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2023 and 2024 was as follows:

Proportion - June 30, 2023	0.12514%
Proportion - June 30, 2024	0.12701%
Change - Increase (Decrease)	0.00187%

For the year ended June 30, 2024, the City recognized pension expense of \$1,240,707. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

7) PENSION PLAN - Continued

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 836,730	\$ -
Differences between actual and expected experience	324,442	50,329
Changes in assumptions	383,436	-
Differences between employer's contributions and proportionate share of contributions	-	133,102
Change in employer's proportions	81,010	-
Net differences between projected and actual earnings on plan investments	1,028,279	-
Total	<u>\$ 2,653,897</u>	<u>\$ 183,431</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$836,730 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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,	
2025	\$ 485,163
2026	332,729
2027	786,338
2028	29,506
2029	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Projected salary increase	(1)
Investment rate of return	6.90%
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 probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

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	Assumed Asset Allocation	Real Return Real Return (1,2)
Global Equity - Cap-weighted	30%	4.54%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	27.00%
Mortgage-backed securities	5%	50.00%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.45%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management Study

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

7) PENSION PLAN - Continued

1% Decrease		5.90%
Net Pension Liability	\$	9,912,433
Current Discount Rate		6.90%
Net Pension Liability	\$	6,350,964
1% Increase		7.90%
Net Pension Liability	\$	3,419,569

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, 2024, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2024.

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 (0.33% of premium for 2023/24). The City does not provide dental and vision benefits.

Employees Covered by Benefit Terms – As of the July 1, 2023 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	11
Active employees	38
Total	<u>49</u>

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

8) OTHER POST EMPLOYMENT BENEFITS – Continued

Total OPEB Liability – The City's total OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation dated June 30, 2023 using the entry age, level percent of pay cost method, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age, Level Percent of Pay
Mortality	Pre-retirement: Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019) Post-retirement: Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019)
Health Care Trend Rate	6.00% for 2023, 5.50% for 2024, 5.25% for 2025-2029, and 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years; Medicare ages 4.50% for 2023-2029 and 4.00% for 2030 and years later
Inflation Rate	2.50%
Salary Increases	3.00%
Discount Rate	3.69% - Fidelity GO AA 20 Years Municipal Index - 2022 3.86% - Fidelity GO AA 20 Years Municipal Index - 2023

Discount Rate – The discount rate used to measure the total OPEB liability was 3.86 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, 2023 (June 30, 2022 measurement date)	\$ 1,068,133
Changes in the year:	
Service cost	87,738
Interest on the total OPEB liability	41,891
Difference between expected and actual experience	(67,484)
Changes in assumptions or other inputs	18,954
Benefit payments, including implicit subsidy	(41,623)
Net changes	39,476
Balance at June 30, 2024 (June 30, 2023 measurement date)	\$ 1,107,609

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 (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB liability	\$ 1,245,093	\$ 1,107,609	\$ 993,234

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

8) OTHER POST EMPLOYMENT BENEFITS – Continued

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:

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 984,853	\$ 1,107,609	\$ 1,264,565

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$120,241. At June 30, 2024, 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	\$ 36,783	\$ -
Difference between expected and actual experience	-	67,448
Changes of Assumptions	142,024	189,642
Total	<u>\$ 178,807</u>	<u>\$ 257,090</u>

The \$36,783 reported as deferred outflows related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal ending June 30, 2025. Other amounts reported as deferred outflows and inflows related to OPEB will be recognized as expense as follows:

Year Ending June 30,	
2025	\$ (9,388)
2026	(10,752)
2027	(18,684)
2028	(34,131)
2029	(35,179)
Thereafter	(6,932)

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 California Intergovernmental Risk Authority (CIRA), 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 CIRA being responsible for losses above that amount up to \$1 million.

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

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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.

CIRA 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 CIRA and may share in any surplus revenues or may be required to pay additional assessments based upon CIRA's operating results. Financial statements of CIRA may be obtained from its administrative office located at 2230 East Bidwell Street, Folsom, California, 95630.

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, 2024, and changes during the past fiscal year was as follows:

		General Liability Claims		\$	151,000
		Total		\$	151,000
	Fiscal Year	Claims Payable Beginning of Year	Additions	Deletions	Claims Payable End of Year
	2023-24	\$ 149,000	\$ 11,858	\$ 9,858	\$ 151,000
	2022-23	155,000	8,000	14,000	149,000

10) DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT

2001 Special Tax Bonds (Mello-Roos):

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

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

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, 2024, the amount outstanding was \$1,675,000.

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 \$21,694. The City recognized \$152,449 in lease revenue and \$107,879 in interest revenue during the current fiscal year related to the various leases. As of June 30, 2024, the City's receivable for lease payments was \$2,133,375. 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, 2024, the balance of the deferred inflow of resources was \$2,133,375.

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.

City of Highland
Notes to Financial Statements
Year Ended June 30, 2024

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, 2024, are presented below:

	General	Special Revenue Grants	Major Grants	Capital Projects Funds Capital Improvements	Development Impact Fees	Total Non-major Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepaid Items	\$ 11,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,761
Long-term Advances & Loans	575,997	-	-	-	-	-	575,997
Restricted:							
Public Safety Operations	-	-	-	-	-	41,034	41,034
Highways and Street Projects	-	10,141,925	-	5,885,492	-	7,702,866	23,730,283
Parks and Recreation	-	-	-	-	-	348,798	348,798
Capital Improvements	-	-	-	-	14,565,271	6,212,152	20,777,423
Low and Moderate Income Housing Activities	-	-	-	-	-	4,572,307	4,572,307
Assigned:							
Public Safety:							
Vehicle Replacement	4,575,000	-	-	-	-	-	4,575,000
Equipment Replacement	300,000	-	-	-	-	-	300,000
Other Purposes:							
Vehicle Replacement	575,000	-	-	-	-	-	575,000
Equipment Replacement	250,000	-	-	-	-	-	250,000
Compensated Absences	721,360	-	-	-	-	-	721,360
Net Pension Liability	3,927,724	-	-	-	-	-	3,927,724
OPEB Liability	684,067	-	-	-	-	-	684,067
Capital Projects	486,487	-	-	-	-	8,831,254	9,317,741
Technical Enhancements	400,000	-	-	-	-	-	400,000
Service Enhancements	833,233	-	-	-	-	-	833,233
City Hall	600,000	-	-	-	-	-	600,000
Fire Facilities	4,700,000	-	-	-	-	-	4,700,000
Unassigned	5,265,499	-	(1,513,034)	-	-	(121,819)	3,630,646
Total Fund Balance (Deficit)	\$ 23,906,128	\$ 10,141,925	\$ (1,513,034)	\$ 5,885,492	\$ 14,565,271	\$ 27,586,592	\$ 80,572,374

**City of Highland
Notes to Financial Statements
Year Ended June 30, 2024**

14) FUND DEFICITS

Deficits in nonmajor funds at June 30, 2024 included the following: Article 3 Special Revenue Fund - \$95,887, CDBG Fund - \$16,035 and CFD Maintenance Fund - \$9,897. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Highland
Budgetary Comparison Schedule By Department
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 24,415,350	\$ 24,415,350	\$ 24,596,265	\$ 180,915
Licenses and Permits	971,525	971,525	1,213,524	241,999
Intergovernmental	310,250	310,250	477,165	166,915
Charges for Services	1,992,515	1,992,515	2,220,731	228,216
Fines and Forfeitures	40,000	40,000	19,507	(20,493)
Investment Income	450,500	450,500	1,618,442	1,167,942
Rental Income	137,095	137,095	137,601	506
Miscellaneous	34,000	34,000	20,999	(13,001)
Total Revenues	28,351,235	28,351,235	30,304,234	1,952,999
EXPENDITURES:				
Current:				
General Government:				
City Council	214,195	242,695	229,609	13,086
City Clerk	500,400	500,400	488,532	11,868
General Government	811,940	758,215	795,730	(37,515)
Personnel	86,855	86,855	85,937	918
Finance	755,490	756,115	756,111	4
Public Safety:				
Police Department	13,195,330	13,195,330	12,907,930	287,400
Animal Control	492,365	492,365	493,386	(1,021)
Fire Department	4,489,210	4,489,210	3,561,254	927,956
Public Works:				
Engineering	865,245	865,245	781,019	84,226
Parks	1,237,305	1,237,305	1,033,504	203,801
Graffiti	180,635	180,635	140,438	40,197
Trails	14,500	14,500	7,587	6,913
Community Development:				
Planning	989,060	989,060	941,603	47,457
Public Services	722,230	722,230	657,382	64,848
Building and Safety	918,590	918,590	703,969	214,621
Code Enforcement	636,150	636,150	602,290	33,860
Community Volunteer Services	136,080	136,080	122,723	13,357
Capital Outlay	-	438,315	438,309	6
Total Expenditures	26,245,580	26,659,295	24,747,313	1,911,982
Excess (Deficiency) of Revenues over Expenditures	2,105,655	1,691,940	5,556,921	3,864,981
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	(2,097,760)	(3,451,485)	(2,765,038)	686,447
Total Other Financing Sources (Uses)	(2,097,760)	(3,451,485)	(2,765,038)	686,447
Net Change in Fund Balance	7,895	(1,759,545)	2,791,883	4,551,428
Fund Balance, Beginning of Year	21,114,245	21,114,245	21,114,245	-
Fund Balance, End of Year	\$ 21,122,140	\$ 19,354,700	\$ 23,906,128	\$ 4,551,428

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Grants
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental	\$ 19,129,800	\$ 19,137,000	\$ 3,242,890	\$ (15,894,110)
Investment Income	-	-	-	-
Miscellaneous	832,000	832,000	-	(832,000)
Total Revenues	19,961,800	19,969,000	3,242,890	(16,726,110)
EXPENDITURES:				
Current:				
Public Works	-	-	564,208	(564,208)
Capital Outlay	21,102,000	21,102,000	3,231,544	17,870,456
Total Expenditures	21,102,000	21,102,000	3,795,752	17,306,248
Excess (Deficiency) of Revenues over Expenditures	(1,140,200)	(1,133,000)	(552,862)	580,138
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(1,140,200)	(1,133,000)	(552,862)	580,138
Fund Balance, Beginning of Year	10,694,787	10,694,787	10,694,787	-
Fund Balance, End of Year	\$ 9,554,587	\$ 9,561,787	\$ 10,141,925	\$ 580,138

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Major Grants
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 18,942,500	\$ 18,942,500	\$ 3,872,717	\$ (15,069,783)
Miscellaneous	-	-	-	-
Total Revenues	18,942,500	18,942,500	3,872,717	(15,069,783)
EXPENDITURES:				
Current:				
General Government	1,000	1,000	-	1,000
Public Safety	1,162,500	1,162,500	1,114,515	47,985
Public Works	-	-	31,813	(31,813)
Community Development	5,000	5,000	28,364	(23,364)
Capital Outlay	17,774,000	17,774,000	2,982,465	14,791,535
Total Expenditures	18,942,500	18,942,500	4,157,157	14,785,343
Excess (Deficiency) of Revenues over Expenditures	-	-	(284,440)	(284,440)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(284,440)	(284,440)
Fund Balance, Beginning of Year	(1,228,594)	(1,228,594)	(1,228,594)	-
Fund Balance, End of Year	\$ (1,228,594)	\$ (1,228,594)	\$ (1,513,034)	\$ (284,440)

**City of Highland
Required Supplementary Information
Year Ended June, 2024**

**Schedule of Changes in Total OPEB Liability
and Related Ratios - Last Ten Fiscal Years***

	Measurement Period		
	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 87,738	\$ 104,696	\$ 87,235
Interest on total OPEB liability	41,891	25,612	27,404
Difference between expected and actual experience	(67,484)	-	(8,350)
Changes in Assumptions	18,954	(270,340)	134,241
Benefit payments, including implicit subsidy	(41,623)	(41,944)	(43,181)
Net change in total OPEB liability	39,476	(181,976)	197,349
Total OPEB liability - beginning	1,068,133	1,250,109	1,052,760
Total OPEB liability - ending	<u>\$ 1,107,609</u>	<u>\$ 1,068,133</u>	<u>\$ 1,250,109</u>
 Covered-employee payroll	 \$ 3,319,012	 \$ 3,142,359	 \$ 3,119,466
Total OPEB liability as a percentage of covered-employee payroll	33.37%	33.99%	40.07%

*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 changed from 3.13% to 2.45%. In 2021, the accounting discount rate changed from 2.45% to 1.92%. In 2022, the accounting discount rate changed from 1.92% to 3.69%. In 2023, the accounting discount rate changed from 3.69% to 3.86%.

	Measurement Period			
2020	2019	2018	2017	
\$ 66,100	\$ 57,152	\$ 25,712	\$ 24,963	
29,999	30,820	25,599	25,002	
-	(18,868)	(40,757)	-	
83,368	65,412	-	-	
(37,784)	(35,035)	(33,347)	(28,484)	
141,683	99,481	(22,793)	21,481	
911,077	811,596	834,389	812,908	
<u>\$ 1,052,760</u>	<u>\$ 911,077</u>	<u>\$ 811,596</u>	<u>\$ 834,389</u>	
\$ 2,858,967	\$ 2,811,994	\$ 2,668,338	\$ 2,668,273	
36.82%	32.40%	30.42%	31.27%	

**City of Highland
Required Supplementary Information
Year Ended June 30, 2024**

**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
2023	0.12701%	\$ 6,350,964	\$ 3,319,012	191.35%	75.88%
2022	0.12514%	5,855,448	3,142,359	186.34%	76.27%
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%

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%. In 2022, the accounting discount rate changed from 7.15% to 6.90%.

**City of Highland
Required Supplementary Information
Year Ended June 30, 2024**

**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
2024	\$ 836,730	\$ (836,730)	\$ -	\$ 3,935,612	21.26%
2023	809,172	(809,172)	-	3,319,012	24.38%
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%

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, 6/30/21, 6/30/22

City of Highland
Notes to Required Supplementary Information
Year Ended June 30, 2024

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 in June 2023 for fiscal years 2023-24 and 2024-25. 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 in the General Fund represent original appropriations adjusted by approximately \$413,000 for supplemental appropriations during the year ended June 30, 2024.

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SUPPLEMENTARY INFORMATION

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Capital Improvements
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment Income	\$ 50,000	\$ 443,892	\$ 393,892
Miscellaneous	-	-	-
Total Revenues	50,000	443,892	393,892
EXPENDITURES:			
Current:			
Public Works	292,780	249,035	43,745
Capital Outlay	1,843,000	839,866	1,003,134
Total Expenditures	2,135,780	1,088,901	1,046,879
Excess (Deficiency) of Revenues over Expenditures	(2,085,780)	(645,009)	1,440,771
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,085,780)	(645,009)	1,440,771
Fund Balance, Beginning of Year	6,530,501	6,530,501	-
Fund Balance, End of Year	\$ 4,444,721	\$ 5,885,492	\$ 1,440,771

City of Highland
Budgetary Comparison Schedule
Budget and Actual - Development Impact Fees
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ 500,000	\$ 6,571,535	\$ 6,071,535
Miscellaneous	-	-	-
Investment Income	60,000	567,245	507,245
Total Revenues	560,000	7,138,780	6,578,780
EXPENDITURES:			
Current:			
Public Works	-	510	(510)
Capital Outlay	2,000,000	488,788	1,511,212
Total Expenditures	2,000,000	489,298	1,510,702
Excess (Deficiency) of Revenues over Expenditures	(1,440,000)	6,649,482	8,089,482
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	-	207,228	207,228
Total Other Financing Sources (Uses)	-	207,228	207,228
Net Change in Fund Balance	(1,440,000)	6,856,710	8,296,710
Fund Balance, Beginning of Year	7,708,561	7,708,561	-
Fund Balance, End of Year	\$ 6,268,561	\$ 14,565,271	\$ 8,296,710

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.

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.

CFD Maintenance - This fund accounts for CFD funds to be used to maintain the trails, access roads, parks, storm water facilities, streetlights, parkways and medians for CFD 2022-01.

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).

**City of Highland
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2024**

	Special Revenue					
	Measure I	Traffic Safety	Gas Tax	Article 3	CDBG	Developer Fees
ASSETS						
Cash and Investments	\$ 3,994,904	\$ -	\$ 2,039,095	\$ -	\$ -	\$ 6,145,889
Receivables:						
Accounts	-	-	-	-	-	-
Interest	40,141	-	17,683	-	-	67,035
Property Taxes	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Leases	-	-	-	-	-	-
Due From Other Governments	250,061	43,816	391,859	202,700	51,259	-
Advance to Successor Agency	-	-	-	-	-	-
Total Assets	<u>\$ 4,285,106</u>	<u>\$ 43,816</u>	<u>\$ 2,448,637</u>	<u>\$ 202,700</u>	<u>\$ 51,259</u>	<u>\$ 6,212,924</u>
LIABILITIES						
Accounts Payable	\$ 58,624	\$ -	\$ 85,869	\$ 7,143	\$ 16,257	\$ 80
Accrued Liabilities	-	-	16,396	-	-	692
Retention Payable	-	-	7,251	-	-	-
Due to Other Funds	-	43,816	-	195,558	35,002	-
Total Liabilities	<u>58,624</u>	<u>43,816</u>	<u>109,516</u>	<u>202,701</u>	<u>51,259</u>	<u>772</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	95,886	16,035	-
Lease Related	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,886</u>	<u>16,035</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	4,226,482	-	2,339,121	-	-	6,212,152
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(95,887)	(16,035)	-
Total Fund Balances	<u>4,226,482</u>	<u>-</u>	<u>2,339,121</u>	<u>(95,887)</u>	<u>(16,035)</u>	<u>6,212,152</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,285,106</u>	<u>\$ 43,816</u>	<u>\$ 2,448,637</u>	<u>\$ 202,700</u>	<u>\$ 51,259</u>	<u>\$ 6,212,924</u>

Special Revenue							
Landscape Maintenance District	Street Light District	Community Trails District	Parks Maintenance District	AQMD	COPS	Street and Storm Drain Maintenance	Justice Assistance Grant
\$ 44,998	\$ 76,269	\$ 67,039	\$ 289,347	\$ 363,758	\$ -	\$ 751,805	\$ 42,205
-	-	-	-	-	-	-	-
-	-	-	2,362	3,508	-	12,112	-
3,406	2,545	103	728	-	-	2,585	-
-	-	-	-	-	-	-	-
-	-	-	-	18,835	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 48,404</u>	<u>\$ 78,814</u>	<u>\$ 67,142</u>	<u>\$ 292,437</u>	<u>\$ 386,101</u>	<u>\$ -</u>	<u>\$ 766,502</u>	<u>\$ 42,205</u>
\$ 46,674	\$ 65,976	\$ -	\$ 9,051	\$ 15,150	\$ -	\$ 51	\$ 1,171
1,730	-	-	1,730	-	-	139	-
-	-	-	-	-	-	-	-
-	12,838	-	-	-	-	-	-
<u>48,404</u>	<u>78,814</u>	<u>-</u>	<u>10,781</u>	<u>15,150</u>	<u>-</u>	<u>190</u>	<u>1,171</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	67,142	281,656	370,951	-	766,312	41,034
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>67,142</u>	<u>281,656</u>	<u>370,951</u>	<u>-</u>	<u>766,312</u>	<u>41,034</u>
<u>\$ 48,404</u>	<u>\$ 78,814</u>	<u>\$ 67,142</u>	<u>\$ 292,437</u>	<u>\$ 386,101</u>	<u>\$ -</u>	<u>\$ 766,502</u>	<u>\$ 42,205</u>

(Continued)

City of Highland
Combining Balance Sheet
Non-major Governmental Funds (Continued)
June 30, 2024

	Special Revenue			Capital Projects		Total
	Paramedic Department	Housing Authority	CFD Maintenance	General Capital Financing	Community Facilities District	Non-major Governmental Funds
ASSETS						
Cash and Investments	\$ 844,420	\$ 3,698,034	\$ -	\$ 8,703,266	\$ -	\$ 27,061,029
Receivables:						
Accounts	-	-	-	62,378	11,078	73,456
Interest	-	42,397	-	102,981	-	288,219
Property Taxes	3,590	-	-	-	11,963	24,920
Loans	-	695,728	-	-	-	695,728
Leases	-	897,109	-	-	-	897,109
Due From Other Governments	70,364	578,950	-	-	-	1,607,844
Advance to Successor Agency	-	144,000	-	-	-	144,000
Total Assets	\$ 918,374	\$ 6,056,218	\$ -	\$ 8,868,625	\$ 23,041	\$ 30,792,305
LIABILITIES						
Accounts Payable	\$ 918,374	\$ 3,291	\$ 4,182	\$ 29,656	\$ 11,963	\$ 1,273,512
Accrued Liabilities	-	4,561	-	730	-	25,978
Retention Payable	-	-	-	6,985	-	14,236
Due to Other Funds	-	-	5,715	-	11,078	304,007
Total Liabilities	918,374	7,852	9,897	37,371	23,041	1,617,733
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	578,950	-	-	-	690,871
Lease Related	-	897,109	-	-	-	897,109
Total Deferred Inflows of Resources	-	1,476,059	-	-	-	1,587,980
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	4,572,307	-	-	-	18,877,157
Assigned	-	-	-	8,831,254	-	8,831,254
Unassigned	-	-	(9,897)	-	-	(121,819)
Total Fund Balances	-	4,572,307	(9,897)	8,831,254	-	27,586,592
Total Liabilities, Deferred Inflows and Fund Balances	\$ 918,374	\$ 6,056,218	\$ -	\$ 8,868,625	\$ 23,041	\$ 30,792,305

City of Highland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2024

	Special Revenue					
	Measure I	Traffic Safety	Gas Tax	Article 3	CDBG	Developer Fees
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	1,458,023	-	3,037,642	170,437	179,805	-
Charges for Services	-	-	9,837	-	-	1,112,395
Fines and Forfeitures	-	58,248	-	-	-	-
Investment Income	138,313	-	95,244	-	-	280,911
Rental Income	-	-	-	-	-	-
Miscellaneous	-	-	397	-	-	-
Total Revenues	1,596,336	58,248	3,143,120	170,437	179,805	1,393,306
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	68,634	-	-	-	-
Public Works	-	-	1,995,168	-	-	84,531
Community Development	-	-	-	-	194,932	-
Capital Outlay	254,086	-	187,589	45,320	908	-
Total Expenditures	254,086	68,634	2,182,757	45,320	195,840	84,531
Excess (Deficiency) of Revenues Over Expenditures	1,342,250	(10,386)	960,363	125,117	(16,035)	1,308,775
OTHER FINANCING SOURCES (USES)						
Transfers In	-	10,386	145,025	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	10,386	145,025	-	-	-
Net Change in Fund Balances	1,342,250	-	1,105,388	125,117	(16,035)	1,308,775
Fund Balances, Beginning	2,884,232	-	1,233,733	(221,004)	-	4,903,377
Fund Balances, End of Year	\$ 4,226,482	\$ -	\$ 2,339,121	\$ (95,887)	\$ (16,035)	\$ 6,212,152

Special Revenue							
Landscape Maintenance District	Street Light District	Community Trails District	Parks Maintenance District	AQMD	COPS	Street and Storm Drain Maintenance	Justice Assistance Grant
\$ 476,443	\$ 356,285	\$ 14,423	\$ 101,912	\$ -	\$ -	\$ 91,810	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	75,305	186,305	-	53,940
-	-	-	8,043	-	-	205	-
-	-	-	-	-	-	-	-
2,593	3,889	1,299	11,077	16,060	-	55,459	-
-	-	-	-	-	-	-	-
8,043	6,894	-	-	-	-	-	-
<u>487,079</u>	<u>367,068</u>	<u>15,722</u>	<u>121,032</u>	<u>91,365</u>	<u>186,305</u>	<u>147,474</u>	<u>53,940</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
561,611	515,268	2,267	143,952	62,145	186,305	9,831	43,359
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>561,611</u>	<u>515,268</u>	<u>2,267</u>	<u>143,952</u>	<u>62,145</u>	<u>186,305</u>	<u>9,831</u>	<u>43,359</u>
(74,532)	(148,200)	13,455	(22,920)	29,220	-	137,643	10,581
37,859	76,269	-	57,581	-	-	-	-
-	-	-	-	-	-	-	-
37,859	76,269	-	57,581	-	-	-	-
(36,673)	(71,931)	13,455	34,661	29,220	-	137,643	10,581
36,673	71,931	53,687	246,995	341,731	-	628,669	30,453
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,142</u>	<u>\$ 281,656</u>	<u>\$ 370,951</u>	<u>\$ -</u>	<u>\$ 766,312</u>	<u>\$ 41,034</u>

(Continued)

City of Highland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds (Continued)
Year Ended June 30, 2024

	Special Revenue			Capital Projects		Total
	Paramedic Department	Housing Authority	CFD Maintenance	General Capital Financing	Community Facilities District	Non-major Governmental Funds
REVENUES						
Taxes	\$ 365,363	\$ -	\$ -	\$ -	\$ -	\$ 1,406,236
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	5,161,457
Charges for Services	-	830	-	151,662	-	1,282,972
Fines and Forfeitures	-	-	-	-	-	58,248
Investment Income	-	223,833	-	446,333	-	1,275,011
Rental Income	-	120,167	-	-	-	120,167
Miscellaneous	-	-	-	-	11,078	26,412
Total Revenues	365,363	344,830	-	597,995	11,078	9,330,503
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	1,648,306	-	-	-	-	1,946,604
Public Works	-	-	9,897	191,415	11,078	3,587,163
Community Development	-	230,588	-	-	-	425,520
Capital Outlay	-	-	-	53,624	-	541,527
Total Expenditures	1,648,306	230,588	9,897	245,039	11,078	6,500,814
Excess (Deficiency) of Revenues Over Expenditures	(1,282,943)	114,242	(9,897)	352,956	-	2,829,689
OTHER FINANCING SOURCES (USES)						
Transfers In	1,282,943	-	-	1,000,000	-	2,610,063
Transfers Out	-	-	-	(145,025)	-	(145,025)
Total Other Financing Sources (Uses)	1,282,943	-	-	854,975	-	2,465,038
Net Change in Fund Balances	-	114,242	(9,897)	1,207,931	-	5,294,727
Fund Balances, Beginning	-	4,458,065	-	7,623,323	-	22,291,865
Fund Balances, End of Year	\$ -	\$ 4,572,307	\$ (9,897)	\$ 8,831,254	\$ -	\$ 27,586,592

City of Highland
Budgetary Comparison Schedule
Measure I - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,601,250	\$ 1,458,023	\$ (143,227)
Investment Income	25,000	138,313	113,313
Total Revenues	1,626,250	1,596,336	(29,914)
EXPENDITURES:			
Current:			
Public Works	-	-	-
Capital Outlay	4,035,000	254,086	3,780,914
Total Expenditures	4,035,000	254,086	3,780,914
Excess (Deficiency) of Revenues over Expenditures	(2,408,750)	1,342,250	(3,810,828)
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(2,408,750)	1,342,250	3,751,000
Fund Balance, Beginning of Year	2,884,232	2,884,232	-
Fund Balance, End of Year	\$ 475,482	\$ 4,226,482	\$ 3,751,000

City of Highland
Budgetary Comparison Schedule
Traffic Safety - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Fines and Forfeitures	\$ 16,275	\$ 58,248	\$ 41,973
Investment Income	-	-	-
Total Revenues	16,275	58,248	41,973
EXPENDITURES:			
Current:			
Public Safety	70,000	68,634	1,366
Capital Outlay	-	-	-
Total Expenditures	70,000	68,634	1,366
Excess (Deficiency) of Revenues over Expenditures	(53,725)	(10,386)	43,339
OTHER FINANCING SOURCES (USES)			
Transfers In	53,725	10,386	(43,339)
Total Other Financing Sources (Uses)	53,725	10,386	(43,339)
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

City of Highland
Budgetary Comparison Schedule
Gas Tax - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 3,032,470	\$ 3,037,642	\$ 5,172
Charges for Services	11,500	9,837	(1,663)
Investment Income	49,200	95,244	46,044
Miscellaneous	30,000	397	(29,603)
Total Revenues	<u>3,123,170</u>	<u>3,143,120</u>	<u>19,950</u>
EXPENDITURES:			
Current:			
Public Works	2,114,705	1,995,168	119,537
Capital Outlay	<u>1,496,000</u>	<u>187,589</u>	<u>1,308,411</u>
Total Expenditures	<u>3,610,705</u>	<u>2,182,757</u>	<u>1,427,948</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(487,535)</u>	<u>960,363</u>	<u>1,447,898</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>145,025</u>	<u>145,025</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>145,025</u>	<u>145,025</u>	<u>-</u>
Net Change in Fund Balances	(342,510)	1,105,388	1,447,898
Fund Balance, Beginning of Year	<u>1,233,733</u>	<u>1,233,733</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 891,223</u>	<u>\$ 2,339,121</u>	<u>\$ 1,447,898</u>

City of Highland
Budgetary Comparison Schedule
Article 3 - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 82,000	\$ 170,437	\$ 88,437
Total Revenues	<u>82,000</u>	<u>170,437</u>	<u>88,437</u>
EXPENDITURES:			
Capital Outlay	<u>82,000</u>	<u>45,320</u>	<u>36,680</u>
Total Expenditures	<u>82,000</u>	<u>45,320</u>	<u>36,680</u>
Excess (Deficiency) of Revenues over Expenditures	-	125,117	125,117
Fund Balance, Beginning of Year	<u>(221,004)</u>	<u>(221,004)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (221,004)</u></u>	<u><u>\$ (95,887)</u></u>	<u><u>\$ 125,117</u></u>

**City of Highland
Budgetary Comparison Schedule
CDBG - Special Revenue Fund
Year Ended June 30, 2024**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 185,000	\$ 179,805	\$ (5,195)
Total Revenues	<u>185,000</u>	<u>179,805</u>	<u>(5,195)</u>
EXPENDITURES:			
Current:			
Community Development	185,000	194,932	(9,932)
Capital Outlay	<u>-</u>	<u>908</u>	<u>(908)</u>
Total Expenditures	<u>185,000</u>	<u>195,840</u>	<u>(10,840)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(16,035)</u>	<u>(16,035)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(16,035)	(16,035)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ (16,035)</u></u>	<u><u>\$ (16,035)</u></u>

City of Highland
Budgetary Comparison Schedule
Developer Fees - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ 10,000	\$ 1,112,395	\$ 1,102,395
Investment Income	40,000	280,911	240,911
	<u>50,000</u>	<u>1,393,306</u>	<u>1,343,306</u>
EXPENDITURES:			
Current:			
Public Works	101,010	84,531	16,479
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
	<u>101,010</u>	<u>84,531</u>	<u>16,479</u>
Excess (Deficiency) of Revenues over Expenditures	(51,010)	1,308,775	1,359,785
Fund Balance, Beginning of Year	<u>4,903,377</u>	<u>4,903,377</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,852,367</u></u>	<u><u>\$ 6,212,152</u></u>	<u><u>\$ 1,359,785</u></u>

City of Highland
Budgetary Comparison Schedule
Landscape Maintenance District - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 530,000	\$ 476,443	\$ (53,557)
Investment Income	-	2,593	2,593
Miscellaneous	5,130	8,043	2,913
Total Revenues	535,130	487,079	(48,051)
EXPENDITURES:			
Current:			
Public Works	603,850	561,611	42,239
Total Expenditures	603,850	561,611	42,239
Excess (Deficiency) of Revenues over Expenditures	(68,720)	(74,532)	(5,812)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	37,859	37,859
Total Other Financing Sources (Uses)	-	37,859	37,859
Net Change in Fund Balances	(68,720)	(36,673)	32,047
Fund Balance, Beginning of Year	36,673	36,673	-
Fund Balance, End of Year	\$ (32,047)	\$ -	\$ 32,047

City of Highland
Budgetary Comparison Schedule
Street Light District - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 400,000	\$ 356,285	\$ (43,715)
Interest	5,000	3,889	(1,111)
Miscellaneous	25,000	6,894	(18,106)
Total Revenues	430,000	367,068	(62,932)
EXPENDITURES:			
Current:			
Public Works	517,415	515,268	2,147
Total Expenditures	517,415	515,268	2,147
Excess (Deficiency) of Revenues over Expenditures	(87,415)	(148,200)	(60,785)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	76,269	76,269
Total Other Financing Sources (Uses)	-	76,269	76,269
Net Change in Fund Balances	(87,415)	(71,931)	15,484
Fund Balance, Beginning of Year	71,931	71,931	-
Fund Balance, End of Year	\$ (15,484)	\$ -	\$ 15,484

City of Highland
Budgetary Comparison Schedule
Community Trails - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 15,000	\$ 14,423	\$ (577)
Interest	-	1,299	1,299
Total Revenues	15,000	15,722	722
EXPENDITURES:			
Current:			
Public Works	27,000	2,267	24,733
Total Expenditures	27,000	2,267	24,733
Excess (Deficiency) of Revenues over Expenditures	(12,000)	13,455	25,455
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(12,000)	13,455	25,455
Fund Balance, Beginning of Year	53,687	53,687	-
Fund Balance, End of Year	<u>\$ 41,687</u>	<u>\$ 67,142</u>	<u>\$ 25,455</u>

City of Highland
Budgetary Comparison Schedule
Parks Maintenance District - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 105,000	\$ 101,912	\$ (3,088)
Charges for Services	5,130	8,043	2,913
Investment Income	2,500	11,077	8,577
Total Revenues	<u>112,630</u>	<u>121,032</u>	<u>8,402</u>
EXPENDITURES:			
Current:			
Public Works	<u>150,695</u>	<u>143,952</u>	<u>6,743</u>
Total Expenditures	<u>150,695</u>	<u>143,952</u>	<u>6,743</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(38,065)</u>	<u>(22,920)</u>	<u>15,145</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>53,430</u>	<u>57,581</u>	<u>4,151</u>
Total Other Financing Sources (Uses)	<u>53,430</u>	<u>57,581</u>	<u>4,151</u>
Net Change in Fund Balances	15,365	34,661	19,296
Fund Balance, Beginning of Year	<u>246,995</u>	<u>246,995</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 262,360</u></u>	<u><u>\$ 281,656</u></u>	<u><u>\$ 19,296</u></u>

**City of Highland
Budgetary Comparison Schedule
AQMD - Special Revenue Fund
Year Ended June 30, 2024**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 72,000	\$ 75,305	\$ 3,305
Investment Income	5,000	16,060	11,060
Total Revenues	77,000	91,365	14,365
EXPENDITURES:			
Current			
Public Works	70,000	62,145	7,855
Capital Outlay	147,000	-	147,000
Total Expenditures	217,000	62,145	154,855
Excess (Deficiency) of Revenues over Expenditures	(140,000)	29,220	169,220
Fund Balance, Beginning of Year	341,731	341,731	-
Fund Balance, End of Year	<u>\$ 201,731</u>	<u>\$ 370,951</u>	<u>\$ 169,220</u>

City of Highland
Budgetary Comparison Schedule
COPS - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 186,305	\$ 186,305	\$ -
Total Revenues	186,305	186,305	-
EXPENDITURES			
Current:			
Public Safety	186,305	186,305	-
Total Expenditures	186,305	186,305	-
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, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 40,300	\$ 91,810	\$ 51,510
Investment Income	3,300	205	(3,095)
Charges for Services	220	55,459	55,239
Total Revenues	43,820	147,474	103,654
EXPENDITURES:			
Current:			
Public Works	32,730	9,831	22,899
Total Expenditures	32,730	9,831	22,899
Excess (Deficiency) of Revenues over Expenditures	11,090	137,643	126,553
Fund Balance, Beginning of Year	628,669	628,669	-
Fund Balance, End of Year	<u>\$ 639,759</u>	<u>\$ 766,312</u>	<u>\$ 126,553</u>

City of Highland
Budgetary Comparison Schedule
Justice Assistance Grant - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 53,940	\$ 53,940	\$ -
Total Revenues	53,940	53,940	-
EXPENDITURES:			
Current:			
Public Safety	43,360	43,359	1
Capital Outlay	-	-	-
Total Expenditures	43,360	43,359	1
Excess (Deficiency) of Revenues over Expenditures	10,580	10,581	1
Fund Balance, Beginning of Year	30,453	30,453	-
Fund Balance, End of Year	<u>\$ 41,033</u>	<u>\$ 41,034</u>	<u>\$ 1</u>

City of Highland
Budgetary Comparison Schedule
Paramedic Department - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 370,000	\$ 365,363	\$ (4,637)
Miscellaneous	-	-	-
Total Revenues	370,000	365,363	(4,637)
EXPENDITURES:			
Current:			
Public Safety	2,467,760	1,648,306	819,454
Capital Outlay	-	-	-
Total Expenditures	2,467,760	1,648,306	819,454
Excess (Deficiency) of Revenues over Expenditures	(2,097,760)	(1,282,943)	814,817
OTHER FINANCING SOURCES:			
Transfers In	2,097,760	1,282,943	(814,817)
Total Other Financing Sources (Uses)	2,097,760	1,282,943	(814,817)
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, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment Income	\$ 111,630	\$ 223,833	\$ 112,203
Rental Income	120,000	120,167	167
Charges for Services	4,235	830	(3,405)
Miscellaneous	4,600	-	(4,600)
	<u>240,465</u>	<u>344,830</u>	<u>104,365</u>
Total Revenues			
EXPENDITURES:			
Current:			
Community Development	286,695	230,588	56,107
	<u>286,695</u>	<u>230,588</u>	<u>56,107</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	(46,230)	114,242	160,472
Fund Balance, Beginning of Year	4,458,065	4,458,065	-
Fund Balance, End of Year	<u>\$ 4,411,835</u>	<u>\$ 4,572,307</u>	<u>\$ 160,472</u>

City of Highland
Budgetary Comparison Schedule
CFD Maintenance - Special Revenue Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 8,200	\$ -	\$ (8,200)
Total Revenues	<u>8,200</u>	<u>-</u>	<u>(8,200)</u>
EXPENDITURES:			
Current:			
Public Works	<u>11,100</u>	<u>9,897</u>	<u>1,203</u>
Total Expenditures	<u>11,100</u>	<u>9,897</u>	<u>1,203</u>
Excess (Deficiency) of Revenues over Expenditures	(2,900)	(9,897)	(6,997)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (2,900)</u></u>	<u><u>\$ (9,897)</u></u>	<u><u>\$ (6,997)</u></u>

City of Highland
Budgetary Comparison Schedule
General Capital Financing - Capital Projects Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for Services	\$ 100,000	\$ 151,662	\$ 51,662
Investment Income	125,520	446,333	320,813
Miscellaneous	5,000	-	(5,000)
Total Revenues	230,520	597,995	367,475
EXPENDITURES:			
Current:			
Public Works	262,640	191,415	71,225
Capital Outlay	1,702,000	53,624	1,648,376
Total Expenditures	1,964,640	245,039	1,719,601
Excess (Deficiency) of Revenues over Expenditures	(1,734,120)	352,956	2,087,076
OTHER FINANCING SOURCES (USES)			
Transfers In	1,000,000	1,000,000	-
Transfers Out	(145,025)	(145,025)	-
Total Other Financing Sources (Uses)	854,975	854,975	-
Net Change in Fund Balance	(879,145)	1,207,931	2,087,076
Fund Balance, Beginning of Year	7,623,323	7,623,323	-
Fund Balance, End of Year	\$ 6,744,178	\$ 8,831,254	\$ 2,087,076

City of Highland
Budgetary Comparison Schedule
Community Facilities District - Capital Projects Fund
Year Ended June 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Miscellaneous	\$ 11,080	\$ 11,078	\$ (2)
Total Revenues	<u>11,080</u>	<u>11,078</u>	<u>(2)</u>
EXPENDITURES:			
Current:			
Public Works	<u>11,380</u>	<u>11,078</u>	<u>302</u>
Total Expenditures	<u>11,380</u>	<u>11,078</u>	<u>302</u>
Excess (Deficiency) of Revenues over Expenditures	(300)	-	300
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (300)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 300</u></u>

City of Highland Internal Service Funds

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

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

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

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City of Highland
Combining Statement of Net Position
Internal Service Funds
June 30, 2024

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
ASSETS			
Current:			
Cash and Investments	\$ 4,203,201	\$ 1,806,461	\$ 6,009,662
Receivable:			
Accounts	-	7,394	7,394
Interest	45,862	17,936	63,798
Total Assets	4,249,063	1,831,791	6,080,854
LIABILITIES			
Current:			
Accounts Payable	4,952	26,402	31,354
Accrued Liabilities	3,131	4,165	7,296
Claims Payable	16,000	-	16,000
Total Current Liabilities	24,083	30,567	54,650
Noncurrent:			
Claims Payable	135,000	-	135,000
Total Noncurrent Liabilities	135,000	-	135,000
Total Liabilities	159,083	30,567	189,650
NET POSITION			
Unrestricted	4,089,980	1,801,224	5,891,204
Total Net Position	\$ 4,089,980	\$ 1,801,224	\$ 5,891,204

City of Highland
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2024

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
OPERATING REVENUES			
Charges for Services	\$ 488,821	\$ 687,786	\$ 1,176,607
Miscellaneous	2,432	10	2,442
Total Operating Revenues	491,253	687,796	1,179,049
OPERATING EXPENSES			
Salaries and Benefits	160,973	-	160,973
Insurance Premiums	494,858	-	494,858
Claims and Judgments	2,370	-	2,370
Legal Fees	26,888	-	26,888
Administrative Expenses	3,237	764,538	767,775
Insurance Adjusting Fees	-	-	-
Total Operating Expenses	688,326	764,538	1,452,864
Operating Income (Loss)	(197,073)	(76,742)	(273,815)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	197,073	76,742	273,815
Income before Contributions and Transfers	-	-	-
Transfers in	-	300,000	300,000
Change in Net Position	-	300,000	300,000
Net Position, Beginning of Year	4,089,980	1,501,224	5,591,204
Net Position, End of Year	\$ 4,089,980	\$ 1,801,224	\$ 5,891,204

City of Highland
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2024

	Governmental Activities Internal Service Funds		
	Insurance	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Services	\$ 491,253	\$ 682,227	\$ 1,173,480
Cash Payments to Employees for Services	(160,825)	454	(160,371)
Cash Payments Made to Suppliers/Vendors	(521,510)	(748,350)	(1,269,860)
Net Cash Provided (Used) By Operations	(191,082)	(65,669)	(256,751)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from Other Funds	-	300,000	300,000
Net Cash Provided (Used) By NonCapital Financing Activities	-	300,000	300,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	180,524	70,212	250,736
Net Cash Provided (Used) By Investing Activities	180,524	70,212	250,736
Net Increase (Decrease) in Cash and Cash Equivalents	(10,558)	304,543	293,985
Cash and Equivalents - Beginning of Year	4,213,759	1,501,918	5,715,677
Cash and Equivalents - End of Year	\$ 4,203,201	\$ 1,806,461	\$ 6,009,662
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (197,073)	\$ (76,742)	\$ (273,815)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Accounts Receivable		(5,569)	(5,569)
Increase (Decrease) in Accounts Payable	3,843	16,188	20,031
Increase (Decrease) in Accrued Liabilities	148	454	602
Increase (Decrease) in Claims Payable	2,000	-	2,000
Net Cash Provided (Used) by Operating Activities	\$ (191,082)	\$ (65,669)	\$ (256,751)

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	114 – 117
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	118 – 121
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	122 – 126
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	127 – 128
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	129 – 130
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				
	2024	2023	2022	2021	2020
Governmental activities:					
Investment in capital assets	227,382,396	223,919,610	225,235,630	225,865,157	227,112,025
Restricted for:					
Public safety	-	30,453	-	4,622	-
Highways and streets	37,199,325	34,296,922	33,314,130	36,238,519	38,678,179
Community Development	379,935	5,459,347	5,385,260	5,437,302	5,303,599
Unrestricted	47,279,679	31,393,164	25,606,706	19,744,041	18,903,986
Total governmental activities net position	<u>\$ 312,241,335</u>	<u>\$ 295,099,496</u>	<u>\$ 289,541,726</u>	<u>\$ 287,289,641</u>	<u>\$ 289,997,789</u>
	2019	2018	2017	2016	2015
Governmental activities:					
Investment in capital assets	221,003,257	214,466,575	216,035,504	210,865,837	216,726,391
Restricted for:					
Public safety	-	26,836	87,188	10,181,809	10,811,124
Highways and streets	42,249,331	41,447,249	30,801,998	35,846,032	24,126,132
Community Development	5,186,442	5,060,289	4,386,881	4,339,917	1,392,208
Unrestricted	21,353,346	24,874,004	28,349,878	16,375,043	9,320,447
Total governmental activities net position	<u>\$ 289,792,376</u>	<u>\$ 285,874,953</u>	<u>\$ 279,661,449</u>	<u>\$ 277,608,638</u>	<u>\$ 262,376,302</u>

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses:										
Governmental activities:										
General government	2,785,024	2,415,060	2,329,674	2,970,378	2,667,209	2,391,929	2,152,914	1,988,317	8,026,419	6,693,784
Public safety	20,687,768	19,982,109	18,165,480	17,233,793	16,849,924	15,621,202	14,542,332	14,411,209	12,958,169	12,331,238
Highways and streets	9,721,374	13,683,221	15,510,734	13,951,011	10,727,700	10,608,389	9,797,412	10,392,619	10,618,305	12,304,340
Community Development	4,199,576	4,022,217	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	<u>37,393,742</u>	<u>40,102,607</u>	<u>40,850,913</u>	<u>37,766,065</u>	<u>33,499,218</u>	<u>32,045,782</u>	<u>29,965,836</u>	<u>29,263,632</u>	<u>31,602,893</u>	<u>31,329,362</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	2,481,675	907,887	125,608	362,563	242,669	338,758	761,641	726,087	1,583,415	1,080,488
Public safety	1,990,959	1,750,491	1,511,188	1,307,179	1,248,384	1,284,504	1,279,121	1,266,079	3,679,629	3,517,820
Highways and streets	6,897,184	2,916,475	1,332,697	2,194,101	1,930,553	1,748,406	2,688,276	2,809,938	1,020,765	886,907
Community Development	2,662,783	2,197,408	2,135,481	1,234,314	1,183,807	1,300,273	1,721,294	1,574,576	-	-
Operating grants and contributions	3,725,597	3,956,124	2,811,500	3,909,827	3,097,787	3,305,218	3,206,718	2,204,994	9,032,776	4,464,421
Capital grants and contributions	9,625,434	9,547,768	12,935,771	4,994,406	4,730,717	8,345,767	8,344,599	4,618,091	1,054,688	11,931,594
Total governmental activities program revenues	<u>27,383,632</u>	<u>21,276,153</u>	<u>20,852,245</u>	<u>14,002,390</u>	<u>12,433,917</u>	<u>16,322,926</u>	<u>18,001,649</u>	<u>13,199,765</u>	<u>16,371,273</u>	<u>21,881,230</u>
Net revenues (expenses) governmental activities	<u>(10,010,110)</u>	<u>(18,826,454)</u>	<u>(19,998,668)</u>	<u>(23,763,675)</u>	<u>(21,065,301)</u>	<u>(15,722,856)</u>	<u>(11,964,186)</u>	<u>(16,063,867)</u>	<u>(15,231,620)</u>	<u>(9,448,132)</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	18,199,744	16,627,854	15,406,948	14,517,673	14,021,888	13,389,467	13,036,416	11,809,133	8,456,523	8,568,219
Sales and use taxes	3,846,323	4,057,069	4,017,078	3,714,315	3,076,668	2,918,109	2,702,065	2,632,596	2,224,734	1,682,344
Transient occupancy tax	272,875	265,074	268,259	271,603	264,958	266,893	179,088	302,330	274,410	264,628
Franchise taxes	2,056,095	2,091,919	1,930,701	1,825,256	1,615,213	1,587,002	1,502,402	1,535,420	1,587,761	1,561,126
Business license tax	471,486	546,140	446,810	491,867	536,749	497,286	558,270	173,025	263,489	344,282
Other	70,325	58,359	63,608	40,576	44,146	26,286	28,623	24,032	14,459	14,362
Gain on Sale of Capital Assets	-	-	-	356,150	-	-	-	-	-	-
Investment income	2,064,776	570,764	(22,924)	133,727	436,821	522,967	315,496	317,167	104,983	987,829
State motor vehicle in lieu, unrestricted	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Land contribution from the Successor Agency	-	-	-	-	-	-	-	-	-	-
Miscellaneous	170,325	167,045	140,273	188,643	189,052	432,269	140,458	133,812	991,825	1,403,154
Total governmental activities	<u>27,151,949</u>	<u>24,384,224</u>	<u>22,250,753</u>	<u>21,539,810</u>	<u>20,185,495</u>	<u>19,640,279</u>	<u>18,462,818</u>	<u>16,927,515</u>	<u>13,918,184</u>	<u>14,825,944</u>
Changes in net position governmental activities	<u>\$ 17,141,839</u>	<u>\$ 5,557,770</u>	<u>\$ 2,252,085</u>	<u>\$ (2,223,865)</u>	<u>\$ (879,806)</u>	<u>\$ 3,917,423</u>	<u>\$ 6,498,632</u>	<u>\$ 863,648</u>	<u>\$ (1,313,436)</u>	<u>\$ 5,377,812</u>
Extraordinary item: Loss on transfer	-	-	-	-	-	-	-	-	-	-
Restatement of Land	-	-	-	-	-	-	-	-	-	-
Restatement of Net Position	-	-	-	(484,283)	-	-	(285,128)	1,189,163	-	-
Extraordinary item: Repayment of Advance	-	-	-	-	-	-	-	-	-	-
Extraordinary item: Bond Proceeds (former RDA)	-	-	-	-	-	-	-	-	16,545,772	-
Implementation of GASB 68 & 71	-	-	-	-	-	-	-	-	-	-
Restatement of Depreciation	-	-	-	-	-	-	-	-	-	1,087,356
Restatement of Capital Assets (note 16)	-	-	-	-	-	-	-	-	-	-
Changes in net position governmental activities	<u>\$ 17,141,839</u>	<u>\$ 5,557,770</u>	<u>\$ 2,252,085</u>	<u>\$ (2,708,148)</u>	<u>\$ (879,806)</u>	<u>\$ 3,917,423</u>	<u>\$ 6,213,504</u>	<u>\$ 2,052,811</u>	<u>\$ 15,232,336</u>	<u>\$ 6,465,168</u>

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General fund:										
Nonspendable	587,758	738,375	872,740	974,619	978,226	977,829	999,339	990,099	1,061,528	1,178,728
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	15,061,485	15,061,485	13,880,569	11,680,011	9,840,573	9,872,519	10,070,945	9,293,748	5,004,971	5,201,502
Unassigned	8,256,885	5,314,385	3,931,264	3,265,164	3,057,435	3,020,491	3,178,858	3,198,945	1,108,361	2,102,381
Total general fund	<u>\$ 23,906,128</u>	<u>\$ 21,114,245</u>	<u>\$ 18,684,573</u>	<u>\$ 15,919,794</u>	<u>\$ 13,876,234</u>	<u>\$ 13,870,839</u>	<u>\$ 14,249,142</u>	<u>\$ 13,482,792</u>	<u>\$ 7,174,860</u>	<u>\$ 8,482,611</u>
All other governmental funds:										
Nonspendable:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	1,362,235	1,425,413	1,425,413
Restricted:										
Special revenue funds	29,019,082	25,584,333	25,020,963	26,194,182	26,985,405	28,126,206	27,407,827	27,734,045	35,540,081	25,662,859
Capital projects funds	20,450,763	14,239,062	13,678,427	15,486,261	16,996,373	19,309,569	19,148,448	11,147,755	13,094,825	23,432
Committed:										
Assigned:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	8,831,254	7,623,323	6,252,080	5,073,966	5,103,960	6,006,439	7,884,827	6,792,406	7,330,504	8,462,764
Unassigned:										
Special revenue funds	(1,634,853)	(1,449,598)	(427,619)	(694,177)	(411,719)	(746,061)	(943,910)	(882,715)	(525,490)	(9,580,909)
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 56,666,246</u>	<u>\$ 45,997,120</u>	<u>\$ 44,523,851</u>	<u>\$ 46,060,232</u>	<u>\$ 48,674,019</u>	<u>\$ 52,696,153</u>	<u>\$ 53,497,192</u>	<u>\$ 46,153,726</u>	<u>\$ 56,865,333</u>	<u>\$ 25,993,559</u>

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

Fiscal Year

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues:										
Taxes	26,002,501	24,909,451	23,163,468	21,885,819	20,541,202	19,710,927	19,013,261	17,458,633	16,070,934	15,456,880
Licenses and permits	1,213,524	1,177,236	1,217,429	618,458	509,501	537,720	855,744	705,796	684,186	561,943
Intergovernmental	12,754,229	11,154,120	15,611,819	8,182,201	8,913,837	12,454,853	10,929,304	4,517,927	19,025,112	6,584,075
Charges for services	10,075,238	4,452,340	2,362,870	2,697,541	2,287,702	2,346,284	3,914,972	4,155,849	1,999,287	1,568,001
Fines and forfeitures	77,755	43,850	121,887	80,226	99,604	73,838	116,380	139,888	182,037	237,306
Investment income	3,904,590	1,285,825	(128,949)	454,062	1,184,670	1,482,102	824,331	633,959	217,790	1,027,138
Rental income	257,768	244,712	251,042	244,930	239,890	227,190	226,068	219,926	120,691	121,961
Miscellaneous	47,411	185,153	86,482	374,675	87,465	398,788	320,619	195,598	671,337	1,293,862
Total revenues	<u>54,333,016</u>	<u>43,452,687</u>	<u>42,686,048</u>	<u>34,537,912</u>	<u>33,863,871</u>	<u>37,231,702</u>	<u>36,200,679</u>	<u>28,027,576</u>	<u>38,971,374</u>	<u>26,851,166</u>
Expenditures:										
Current:										
General government+	2,355,919	1,931,098	1,801,743	2,140,731	1,904,692	2,097,547	1,724,479	1,736,158	8,036,914	6,230,511
Highways and streets+	6,395,277	5,487,701	5,375,194	5,056,624	5,441,043	4,886,690	4,716,911	5,481,471	2,729,393	3,234,358
Public safety+	20,023,689	19,288,972	17,495,556	16,570,676	16,164,583	14,931,777	13,913,656	13,238,605	12,408,648	11,793,948
Community Development+	3,481,851	3,308,114	4,137,401	2,903,259	2,454,195	2,558,426	2,499,347	2,471,487	-	-
Capital outlay	8,522,499	10,072,822	15,370,721	8,808,826	11,916,097	13,936,604	5,236,471	10,199,258	2,778,168	8,521,004
Debt service:										
Principal*	-	-	-	-	-	-	-	-	-	-
Interest*	-	-	-	-	-	-	-	-	-	-
Pass-through payments*	-	-	-	-	-	-	-	-	-	-
SERAF Payment*	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent*	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>40,779,235</u>	<u>40,088,707</u>	<u>44,180,615</u>	<u>35,480,116</u>	<u>37,880,610</u>	<u>38,411,044</u>	<u>28,090,863</u>	<u>33,126,979</u>	<u>25,953,123</u>	<u>29,779,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,553,781</u>	<u>3,363,980</u>	<u>(1,494,567)</u>	<u>(942,204)</u>	<u>(4,016,739)</u>	<u>(1,179,342)</u>	<u>8,109,816</u>	<u>(5,099,403)</u>	<u>13,018,251</u>	<u>(2,928,655)</u>
Other financing sources (uses):										
Sale of Capital Assets	-	-	-	402,000	-	-	-	-	-	-
Issuance of long term debt	207,228	1,643,961	3,397,965	469,081	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	2,610,063	2,998,575	2,456,734	1,864,923	1,919,422	2,995,704	2,191,020	2,017,731	3,448,326	3,522,188
Transfers out	(2,910,063)	(4,103,575)	(3,131,734)	(2,364,027)	(1,919,422)	(2,995,704)	(2,191,020)	(2,017,731)	(3,448,326)	(3,522,188)
Total other financing sources (uses)	<u>(92,772)</u>	<u>538,961</u>	<u>2,722,965</u>	<u>371,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary Item	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 13,461,009</u>	<u>\$ 3,902,941</u>	<u>\$ 1,228,398</u>	<u>\$ (570,227)</u>	<u>\$ (4,016,739)</u>	<u>\$ (1,179,342)</u>	<u>\$ 8,109,816</u>	<u>\$ (5,099,403)</u>	<u>\$ 13,018,251</u>	<u>\$ (2,928,655)</u>

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	2024	2023	2022	2021	2020
Residential	4,279,019,753	3,960,857,745	3,714,571,853	3,559,231,681	3,421,547,404
Commercial	324,529,769	291,697,092	277,843,224	260,893,974	262,495,563
Industrial	102,295,267	85,793,793	69,404,126	57,592,686	52,476,393
Irrigated	75,793	74,307	72,850	438,128	680,270
Dry Farm	-	-	-	-	-
Recreational	3,922,285	434,378	1,465,450	2,013,113	2,010,581
Institutional	33,248,855	32,017,491	31,389,694	31,067,831	30,851,503
Miscellaneous	17,899,349	14,109,232	13,667,029	13,595,907	13,035,651
Vacant Land	223,993,732	120,115,497	104,697,062	89,904,034	91,922,879
SBE Nonunitary	-	37,800	37,800	37,800	37,800
Unsecured	92,983,825	88,477,432	80,602,464	75,228,717	68,665,836
Govt. Owned	25,228,285	24,733,613	24,248,640	24,000,000	-
Unknown	-	-	-	-	-
Exemptions	<u>(136,300,607)</u>	<u>(117,980,381)</u>	<u>(115,727,998)</u>	<u>(111,624,080)</u>	<u>(97,885,315)</u>
Total	<u>4,966,896,306</u>	<u>4,500,367,999</u>	<u>4,202,272,194</u>	<u>4,002,379,791</u>	<u>3,845,838,565</u>
Total direct rate	0.24740	0.24883	0.24875	0.24871	0.24924

Category	2019	2018	2017	2016	2015
Residential	3,235,632,104	3,058,458,940	2,906,523,051	2,773,541,762	2,609,720,470
Commercial	232,261,059	221,613,336	210,815,100	198,338,374	196,409,096
Industrial	51,299,293	48,639,494	48,108,184	46,948,732	42,808,510
Irrigated	666,931	655,502	642,650	632,998	794,784
Dry Farm	-	129,918	127,371	200,535	196,606
Recreational	1,327,099	1,324,666	1,322,280	1,519,489	2,391,470
Institutional	30,051,724	28,952,472	28,702,907	28,271,761	27,748,091
Miscellaneous	9,917,709	9,841,856	9,906,629	9,556,408	11,796,187
Vacant Land	88,609,668	88,183,693	82,278,983	76,496,990	75,088,677
SBE Nonunitary	18,900	18,900	18,900	18,900	18,900
Unsecured	61,381,977	56,298,251	58,764,229	62,288,201	61,175,324
Govt. Owned	-	-	-	-	-
Unknown	-	-	-	-	-
Exemptions	<u>(82,876,255)</u>	<u>(79,270,623)</u>	<u>(73,367,998)</u>	<u>(72,450,406)</u>	<u>(61,581,215)</u>
Total	<u>3,628,290,209</u>	<u>3,434,846,405</u>	<u>3,273,842,286</u>	<u>3,125,363,744</u>	<u>2,966,566,900</u>
Total direct rate	0.23904	0.23904	0.23903	0.23904	0.23898

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

	2024	2023	2022	2021	2020	2019	2018	2017
City Direct Rate:								
<u>Property Tax General Fund</u>								
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	\$ 0.03160	\$ 0.02790	\$ 0.06620	\$ 0.03600	\$ 0.03390	\$ 0.03240	\$ 0.04940	\$ 0.05240
San Bernardino Community College Bond	\$ 0.04520	\$ 0.04500	\$ 0.05340	\$ 0.06510	\$ 0.05620	\$ 0.04070	\$ 0.03760	\$ 0.03500
San Bernardino Unified School Bond	\$ 0.06880	\$ 0.08780	\$ 0.10890	\$ 0.10340	\$ 0.09690	\$ 0.11260	\$ 0.10070	\$ 0.07950
San Bernardino Valley Muni Water District Bond	\$ 0.12000	\$ 0.13000	\$ 0.13000	\$ 0.14250	\$ 0.14250	\$ 0.15250	\$ 0.15250	\$ 0.16250
Total Overlapping Rates	\$ 0.26560	\$ 0.29070	\$ 0.35850	\$ 0.34700	\$ 0.32950	\$ 0.33820	\$ 0.34020	\$ 0.32940
Total Direct & Overlapping Tax Rates	\$ 1.26560	\$ 1.29070	\$ 1.35850	\$ 1.34700	\$ 1.32950	\$ 1.33820	\$ 1.34020	\$ 1.32940
Redevelopment Rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Direct Rate	\$ 0.24740	\$ 0.24883	\$ 0.24875	\$ 0.24871	\$ 0.24924	\$ 0.23904	\$ 0.23904	\$ 0.23903

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

Taxpayer	<u>2024</u>		<u>2015</u>	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Victoria Development Company	29,085,292	0.59%	24,684,910	0.83%
QR LI Highland California Commerce Center	42,439,500	0.85%		
Lowes HIW Inc.	21,672,740	0.44%	16,559,786	0.56%
CHIPT Highland 210 LP	59,982,120	1.21%		
Greenspot Village & Marketplace LLC			11,299,633	0.38%
Greenspot Ranch Investors			13,619,835	0.46%
RRM Properties Limited	24,241,436	0.49%	10,366,573	0.35%
Cole LA Highland California LP			9,703,332	0.33%
Boulder Baseline Investors			9,625,695	0.32%
Patriot USICVI 5th Street	29,478,266	0.59%		
Sam Menlo Trust			16,553,468	0.56%
Mountain Breeze Villas LP			10,050,000	0.34%
SWH 2017-1 Borrower LP	21,645,213	0.44%		
iH2 Property West LP ETAL			11,623,897	0.39%
KAGR2 Highland 7000 LP	25,857,000	0.52%		
HVP Associates LLC	30,447,000	0.61%		
OE 27400 5th ST LLC	24,969,600	0.50%		
	<u>\$ 309,818,167</u>	<u>6.24%</u>	<u>\$ 134,087,129</u>	<u>4.52%</u>

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

Source: HdL

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

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Amount Collected	Percent of Levy	Property Tax Collections in Subsequent Years	Amount Collected	Percent of Levy
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	\$ 12,119,227	6,546,737	54.02%	266,468	6,813,206	56.22%
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%
2023	\$ 10,980,898	8,148,129	74.20%	41,079	8,189,208	74.58%
2024	\$ 12,119,227	8,746,931	72.17%	49,216	8,796,147	72.58%

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
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-
2022	-	0.00%	-
2023	-	0.00%	-
2024	-	0.00%	-

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

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

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

Outstanding General Bonded Debt

Fiscal Year Ended June 30	Former RDA Tax Allocation Bonds	Percent of Assessed Value ¹	Per Capita
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-
2022	-	0.00%	-
2023	-	0.00%	-
2024	-	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, 2024

2023-2024 Assessed Valuation \$ 4,966,896,306

	Percentage Applicable ¹	Outstanding Debt 6/30/2024	City's Share of Overlapping Debt
<u>Overlapping Tax and Assessment Debt</u>			
San Bernardino Community College District	4.907%	\$ 905,105,266	\$ 44,413,515
Redlands Unified School District	11.798%	48,943,512	5,774,356
San Bernardino Unified School District	9.496%	315,584,428	29,967,897
City of Highland CFD 90-1	100.00%	-	-
City of Highland CFD 2001-1	100.00%	1,675,000	1,675,000
Redlands Unified School District CFD 2001-1 and 2006-1	100.00%	15,965,000	15,965,000
East Valley Water CFD No 2021-1 I.A. 1	100.00%	5,720,000	5,720,000
Total Overlapping Tax and Assessment Debt			\$ 103,515,768
<u>Direct & Overlapping General Fund Obligation Debt</u>			
San Bernardino County General Fund Obligations	1.559%	131,565,000	\$ 2,051,099
San Bernardino County Flood Control District COP	1.559%	37,295,000	581,429
Redlands Unified School District COP	11.798%	21,210,000	2,502,356
San Bernardino Unified School District COP	9.496%	56,025,000	5,320,134
City of Highland	100.000%	-	-
Total Direct & Overlapping General Fund Obligation Debt			\$ 10,455,017
<u>Overlapping Tax Increment Debt (Successor Agencies)</u>			
Successor Agency to the Highland RDA (SARDA)	100.00%	35,585,000	\$ 35,585,000
San Bernardino County (IVDA) Tax Allocation Bonds	0.004%	209,565,000	8,383
Total Overlapping Tax Increment Debt (Successor Agencies)			\$ 35,593,383
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$ 149,564,168
COMBINED TOTAL DEBT			² \$ 149,564,168

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 2023-2024 Assessed Valuation:

Total Overlapping Tax & Assessment Debt	2.08%
Total Direct Debt	0.00%
Combined Total Debt	3.01%

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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Assessed Valuation	\$ 4,966,896,306	\$ 4,500,367,999	\$ 4,202,272,194	\$ 4,002,379,791	\$ 3,845,838,565	\$ 3,273,842,286	\$ 3,434,846,405	\$ 3,273,842,286	\$ 3,125,363,744	\$ 2,966,566,900
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 1,241,724,077	\$ 1,125,092,000	\$ 1,050,568,049	\$ 1,000,594,948	\$ 961,459,641	\$ 818,460,572	\$ 858,711,601	\$ 818,460,572	\$ 781,340,936	\$ 741,641,725
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	186,258,611	168,763,800	157,585,207	150,089,242	144,218,946	122,769,086	128,806,740	122,769,086	117,201,140	111,246,259
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 186,258,611</u>	<u>\$ 168,763,800</u>	<u>\$ 157,585,207</u>	<u>\$ 150,089,242</u>	<u>\$ 144,218,946</u>	<u>\$ 122,769,086</u>	<u>\$ 128,806,740</u>	<u>\$ 122,769,086</u>	<u>\$ 117,201,140</u>	<u>\$ 111,246,259</u>
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	<u>Debt Service</u>		Coverage
		Principal	Interest	
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-

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)
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%
2023	55,984	1,722,559	30,768	4.1%
2024	55,676	1,884,675	33,850	4.8%

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

Full-Time Equivalent Employees as of June 30

<u>Department</u>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City clerk	2.500	1.950	1.950	1.950	1.950	1.950	1.950	1.850	1.850	1.950
General government	2.150	3.750	3.750	3.750	3.750	3.850	3.850	3.800	3.800	3.925
Personnel	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.300
Finance	4.000	4.500	4.500	4.500	4.500	4.500	4.475	4.125	4.150	4.375
Public works (Gas tax)	4.900	4.350	4.350	4.350	4.350	4.300	4.300	4.300	4.300	5.200
Engineering	2.150	1.350	1.350	1.350	1.350	0.350	0.350	0.350	0.350	0.350
Planning	5.250	5.050	5.050	5.050	5.050	5.050	5.050	5.150	5.150	5.550
Public services	2.800	3.000	3.000	3.000	3.000	3.000	3.000	2.000	2.000	2.000
Building and safety	2.050	2.050	2.050	2.050	2.050	2.050	2.050	2.050	1.550	1.550
Code enforcement	4.050	2.900	2.900	2.900	2.900	2.900	2.900	1.900	2.400	2.400
Parks and trails	1.150	1.150	1.150	1.150	1.150	1.150	1.150	1.150	1.150	2.150
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
Street/Storm Drain	0.050	0.050	0.050	0.050	0.050	-	-	-	-	-
HUD grant	-	-	-	-	-	-	-	-	-	-
Assessment districts	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	-
Capital improvements	1.200	1.150	1.150	1.150	1.150	1.150	1.175	1.175	-	-
AQMD AB 2766	-	-	-	-	-	-	-	-	-	-
Volunteer Services	0.750	0.750	0.750	0.750	0.750	-	-	-	-	-
General capital financing	0.450	0.250	0.250	0.250	0.250	-	-	-	-	-
General liability	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.400
Building services	1.000	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.850
Housing authority	0.750	0.700	0.700	0.700	0.700	0.700	0.700	0.450	0.450	0.100
Redevelopment/Successor agency	-	-	-	-	-	-	-	0.650	1.800	0.500
	<u>38.000</u>	<u>38.000</u>	<u>38.000</u>	<u>38.000</u>	<u>38.000</u>	<u>36.000</u>	<u>36.000</u>	<u>34.000</u>	<u>34.000</u>	<u>34.000</u>

Source: City of Highland.

CITY OF HIGHLAND
Operating Indicators
by Department
Last Ten Fiscal Years

	<u>Fiscal Year</u>									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police department:										
Calls for service	38,763	42,729	42,729	47,283	47,083	46,493	48,187	46,337	48,204	48,314
Adult Bookings	1,446	1,577	1,577	1,377	1,342	1,787	1,344	1,673	1,557	1,726
Animal control services:										
Calls for service	2,969	2,809	2,860	2,488	2,668	3,149	3,076	3,310	3,650	3,914
Impounds	1,666	1,376	1,523	1,170	1,266	1,467	1,453	1,540	1,556	1,792
Dog licenses issued	947	1,135	1,113	1,205	1,267	1,501	1,627	1,787	1,968	2,287
Public works:										
Roadway maintained (miles)	143.60	143.47	143.47	143.47	143.35	142.67	142.67	142.67	142.67	142.67
Planning:										
Applications	104	290	115	110	62	95	121	130	139	146
Building and safety:										
Building permits issued	1,485	1,789	1,894	1,208	957	1,263	1,336	1,268	1,389	n/a*
Administration:										
New business licenses	456	474	283	503	316	312	343	247	366	973
Renewed business licenses	3,030	3,379	2,522	2,971	2,973	2,949	2,499	2,219	1,842	1,479
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

	<u>Fiscal Year</u>									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Public works:										
Corporation yards	1	1	1	1	1	1	1	1	1	1
Streets (miles)	143.60	143.47	143.47	143.47	143.35	142.67	142.67	142.67	142.67	142.67
Street lights	3,499	3,495	3,495	3,495	3,495	3,495	3,495	3,490	3,455	3,455
Traffic signals	57	57	57	57	57	57	56	55	54	54

Source: City of Highland

Attachment 3:
Single Audit Report
on Federal Award Programs

CITY OF HIGHLAND

Single Audit Report on Federal Award Programs

June 30, 2024

CITY OF HIGHLAND
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2024

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**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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November __, 2024.

Report on 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) as a basis for designing 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 and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Van Lant & Fankhaenel, LLP

November __, 2024

**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, 2024. 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, 2024.

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November __, 2024, 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 & Frankhamel, LLP

November __, 2024

CITY OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Program Identification Number	Program Expend- itures	Provided to Sub- Recipients
<i>Department of Housing and Urban Development</i>				
<i>CDBG - Entitlement Grants Cluster</i>				
<i>Passed through the County of San Bernardino:</i>				
Community Development Block Grant	14.218	HIGH-21-1-15 Z/1355	\$ 120,000	\$ -
Community Development Block Grant	14.218	HIGH 21-1-02 A/1219	24,006	24,006
Community Development Block Grant	14.218	HIGH 21-2-05 D/2620	14,550	14,550
Community Development Block Grant	14.218	HIGH 21-2-05 Z/2443	14,006	14,006
COVID-19 - Community Development Block Grant	14.218	HIGH 19CV-1-05W/0200	6,335	6,335
COVID-19 - Community Development Block Grant	14.218	HIGH 19CV-1-05W/0202	16,035	16,035
Community Development Block Grant	14.218	HIGH 22-1-03K-0264	908	-
<i>Total Department of Housing and Urban Development Programs</i>			<u>195,840</u>	<u>74,932</u>
<i>Department of the Treasury</i>				
<i>Direct Recipient</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	-	1,662,578 *	-
<i>Total Department of Treasury Programs</i>			<u>1,662,578</u>	<u>-</u>
<i>Department of Homeland Security</i>				
<i>Passed through the San Bernardino Co. Fire Protection District:</i>				
Homeland Security Grant Program	97.067	DHS-20-GPD-067-00-01	16,878	-
<i>Total Department of Homeland Security Programs</i>			<u>16,878</u>	<u>-</u>
<i>Department of Transportation</i>				
<i>Passed through the California Department of Transportation:</i>				
Recreational Trails Program	20.219	RT 36-013 OR ZT 36-057	1,794	-
<i>Highway Planning and Construction Cluster</i>				
<i>Passed through the California Department of Transportation:</i>				
Highway Planning and Construction	20.205	BRLSN 5449 (034)	7,281	-
Highway Planning and Construction	20.205	BR-NBIL 5449 (505)	88,694	-
Highway Planning and Construction	20.205	HSIPL 5449 (040)	8,839	-
<i>Total Highway Planning and Construction Cluster</i>			<u>104,814</u>	<u>-</u>
<i>Total Department of Transportation Programs</i>			<u>106,608</u>	<u>-</u>
<i>Department of Commerce</i>				
<i>Economic Development Cluster</i>				
<i>Passed through the San Manuel Band of Mission Indians:</i>				
Economic Development Assistance	11.300	EDA 07-01-07415	826,634 *	-
<i>Total Department of Commerce Programs</i>			<u>826,634</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,808,538</u>	<u>\$ 74,932</u>

* = Major Program

CITY OF HIGHLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

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, 2024. 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, 2024, the City made payments to subrecipients which consisted of the following:

Highland Senior Center	\$ 24,006
Central Little League	14,550
YMCA	14,006
Highland Grocery	6,335
Highland Ready Made Food	16,035
Total Subrecipients	<u>\$ 74,932</u>

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

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:

ALN Numbers	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Recovery Funds
11.300	Economic Development Cluster

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, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

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

Draft

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Draft

CITY OF HIGHLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

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

Attachment 4:
Audit Conclusion Letter

November __, 2024

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, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2024. 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. 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 November __, 2024.

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 + Fankhaenel, LLP

Attachment 5:
Gann Limit Letter
(Appropriations Limit)

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

City Council
City of Highland
Highland, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet of the City of Highland, for the year ended June 30, 2024. These procedures, which were agreed to by the City of Highland and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. This report may not be suitable for any other purpose. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

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

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

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

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

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

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

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

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

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

We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report 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. However, this report is a matter of public record, and its distribution is not limited.

Van Lant + Fankhauser, LLP

November __, 2024

CITY OF HIGHLAND
APPROPRIATIONS LIMIT COMPUTATION
2023 – 2024

	<u>2023-24</u>
Change in Per Capita Personal Income	4.44%
Population Change	
City Population Growth	-0.5300%
A. Change in Per Capita Personal Income Converted to a Ratio	1.0444
B. Population Growth Converted to a Ratio	0.9947
Calculation of Growth Factor (A x B)	1.0389
2022 - 2023 Appropriations Limit	<u>\$ 42,967,991</u>
2023 - 2024 Appropriations Limit (42,967,991 x 1.0389)	<u>\$ 44,637,371</u>



STAFF REPORT

TO THE FINANCE PERSONNEL SUBCOMMITTEE

DATE: November 12, 2024

FROM: Carlos Zamano, City Manager *CZ*

PREPARED BY: Tish Nava-Cruz, Director of Administrative Services/City Treasurer *hnc*

SUBJECT: AB 1600 Development Impact Fee Annual Report for Fiscal Year 2023-2024 per Government Code Section 66006.

RECOMMENDATION: The Finance Subcommittee review and approve the item to be brought forward to City Council to receive and file the AB 1600 Development Impact Fee Annual Report for Fiscal Year 2023-2024.

FISCAL IMPACT: The Fund Balance as of June 30, 2024, on all accounts is \$14,565,271.43.

PUBLIC NOTICE: The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

BACKGROUND: Collection of Development Impact Fees began after Ordinance No. 45 and Resolution No. 88-46 was approved on November 8, 1988. Government Code Section 66006 (b)(1) requires that the City make available to the public within 180 days of the close of each fiscal year an accounting of all the activity that has occurred within the accounts that the City set up by way of Resolution No. 88-46.

Attachments:

1. Proposed AB1600 Development Impact Fees Annual Report 2023/2024

Attachment #1

Proposed AB1600 Development Impact Fee Annual Report 2023/2024

AB 1600 Development Impact Fees Annual Report
Government Code Section 66006
For June 30, 2024

Project #	Title	Balance 6/30/2023	Transfers	Revenues	Interest	GASB 31 Int. Inc. Adj.	Expenditures	Key	Balance 6/30/2024
9700	Law Enforcement Facilities & Equipment	395,014.79	-	111,789.04	17,478.38	2,653.63	47,755.52	C	479,180.31
9701	Fire Facilities & Equipment	542,216.94	-	150,786.48	23,899.93	3,628.57	-		720,531.91
9702	General Facilities	563,026.88	-	355,569.03	31,680.04	4,809.77	207,075.02	D	748,010.70
9703	Parks & Recreation Facilities	642,845.66	-	1,098,339.98	60,049.07	9,116.85	-		1,810,351.57
9711	Library Facilities	438,812.17	-	317,437.61	26,081.13	3,959.73	-		786,290.64
9712	Local Circulation	687,615.22	-	1,029,019.91	59,202.38	8,988.31	26,295.50	E-G	1,758,530.32
9713	Regional Flood	684,043.88	-	190,239.20	30,151.80	4,577.75	-		909,012.63
9714	Public Use Facilities	1,371,015.77	-	394,069.19	60,873.30	9,241.99	-		1,835,200.25
9715	Regional Circulation-Del Rosa	344,421.11	-	105,274.45	15,508.86	2,354.61	-		467,559.02
9716	Regional Circulation-Base Line	782,897.25	-	240,379.21	35,290.21	5,357.88	-		1,063,924.55
9717	Regional Circulation-Fifth Street	769,798.76	-	236,285.46	34,697.29	5,267.86	-		1,046,049.37
9718	Regional Circulation-Arterials	486,852.34	-	2,342,106.97	97,563.62	14,812.44	943.37	A	2,940,392.00
9719	Park Land Acquisition & Fac. (Quimby Act)	-	-	238.15	-	-	-		238.15
9845	SBCTA Agreement 18-1001978	-	-	207,228.54	-	-	207,228.54	B	-
		<u>7,708,560.77</u>	-	<u>6,778,763.22</u>	<u>492,476.00</u>	<u>74,769.39</u>	<u>489,297.95</u>		<u>14,565,271.43</u>

Summary of expenditures:

A Project BRG 12-001 Orange Street Bridge	943.37
B Project ICH 09-001 DIF Agreement 18-1001978	207,228.54
C Polaris Police Department	47,755.52
D City Hall Roof Repair	207,075.02
E Project SDR 17-001	25,265.50
F Project STR 20-002 Pacific Street Pavement Rehab	520.05
G Project SDR 19-001	509.95
	<u>489,297.95</u>



STAFF REPORT

TO THE FINANCE PERSONNEL SUBCOMMITTEE

DATE: November 12, 2024

FROM: Carlos Zamano, City Manager *CZ*

PREPARED BY: Tish Nava-Cruz, Director of Administrative Services/City Treasurer *TNC*

SUBJECT: Developer in-lieu Fee Annual Report for Fiscal Year 2023-2024.

RECOMMENDATION: The Finance Subcommittee review and approve the item to be brought forward to City Council to receive and file the Developer in-lieu Fee Annual Report for Fiscal Year 2023-2024.

FISCAL IMPACT: The Fund Balance as of June 30, 2024, on all accounts is \$6,212,151.63

PUBLIC NOTICE: The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

BACKGROUND: The developer in-lieu fee fund is used to hold funds paid by developers for projects the city will construct later. For example, the city may accept in-lieu fees by several developers to construct a signal when needed in the future. It is more cost effective to have the developers pay the in-lieu fee to the city than to have each developer construct a portion of the signal as their project is finished.

Attachments:

1. Proposed Developer in Lieu Annual Report 2023/2024

Attachment #1

Proposed Developer in Lieu Annual Report 2023/2024

**Developer In Lieu Fee Annual Report
For June 30, 2024**

Project #	Title	Balance 7/1/2023	Revenues	Interest	GASB 31 Int. Inc. Adj.	Expenditures	Transfers	Balance 6/30/2024
9543	Microfilm	163,383.56	19,033.42	6,129.00	1,501.98	21,294.10	-	168,753.86
9647	Street/Trees	332,322.24	13,361.70	13,150.00	3,222.42	-	-	362,056.36
9648	Signals	1,926,131.48	-	73,274.00	17,955.33	-	-	2,017,360.81
9650	Bledsoe Creek	5,632.88	-	214.00	52.51	-	-	5,899.39
9651	Medians	796,936.28	-	27,911.00	6,839.64	63,237.00	-	768,449.92
9653	Underground Utilities	599,075.94	-	22,789.00	5,584.55	-	-	627,449.49
9654	Landscaping	17,235.78	-	656.00	160.67	-	-	18,052.45
9720	Inclusionary Housing	1,062,658.68	1,080,000.00	81,499.00	19,971.66	-	-	2,244,129.34
		4,903,376.84	1,112,395.12	225,622.00	55,288.77	84,531.10	-	6,212,151.63
								6,212,151.63
		<u>Summary of expenditures:</u>						
		a Salaries for interns and equipment for scanning project						21,294.10
		b DRA 012-007 Greenspot Rd Median						63,237.00
								<u>84,531.10</u>



STAFF REPORT

TO THE FINANCE PERSONNEL SUBCOMMITTEE

DATE: November 12, 2024

FROM: Carlos Zamano, City Manager *CZ*

PREPARED BY: Tish Nava-Cruz, Director of Administrative Services/City Treasurer *WNC*

SUBJECT: Resolution No. 2024-____ establishing employee salaries.

RECOMMENDATION: That the Finance Subcommittee review and approve the items below to be brought forward to City Council:

1. It is recommended that the City Council approve a 5% salary increase beginning January 1, 2025, for the Assistant Public Works Director.
2. That the City Council approve Resolution No 2024-____ establishing employee salaries.

FISCAL IMPACT: The total fiscal impact of this increase for the 6 remaining months of fiscal year 2024/2025 is \$3,982 or \$7,964 annually.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations per Resolution 2011-047 and on the City's website.

BACKGROUND: The Assistant Public Works Director (APWD) plays a crucial role in managing the city's public works and public services divisions. In recent months, we have faced significant challenges in maintaining an efficient workflow due to a prolonged vacancy in the Senior Civil Engineer/Associate Engineer/Assistant Engineer position, which has remained unfilled for the past five months. With the engineering position vacant, the APWD has been required to absorb the workload typically managed by lower-level engineering staff. This has included overseeing land development projects and public works permits, assisting with capital improvement program, responding to community inquiries, and ensuring compliance with city regulations.

The ongoing challenges faced by the APWD, compounded by an unfilled engineering position, necessitate a proactive approach to ensure our city's public works operations remain effective and responsive to community needs and delivery of projects. A 5% salary increase is a strategic investment in our workforce aimed at enhancing retention, boosting morale, and facilitating the recruitment of top talent.

The current monthly salary range for the APWD is \$10,921 (A step) per month to \$13,274 (E step) per month with each step being separated by 5%. Staff are proposing to adjust the entire range by 5% with the new range being \$11,467 (A step) per month to \$13,938 (E step). The cost of this adjustment at the top step for the remainder of the fiscal year will be \$3,982 (\$13,938 - \$13,274 x 6 months).

Attachments:

1. Proposed Resolution No. 2024-____

RESOLUTION NO. 2024-

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF HIGHLAND, CALIFORNIA,
ESTABLISHING EMPLOYEE SALARIES**

WHEREAS, the City Council of the City of Highland has determined it is necessary for the efficient operation and management of the City that salary ranges be established for employees; and

WHEREAS, the City Council recognizes that it competes in a market place to obtain qualified personnel to perform and provide municipal service, and that compensation and conditions of employment must be sufficiently attractive to recruit and retain qualified employees.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Highland does hereby resolve to:

1. Change the salary range for the following position effective January 1, 2025.

<u>Position Title</u>	<u>Minimum Monthly</u>	<u>Maximum Monthly</u>
Assistant Public Works Director	\$11,467	\$13,938

PASSED, APPROVED AND ADOPTED this 10th day of December 2024.

Penny Lilburn, Mayor

Attest:

Alondra Muñoz, City Clerk



STAFF REPORT

TO THE FINANCE PERSONNEL SUBCOMMITTEE

DATE: November 12, 2024

FROM: Carlos Zamano, City Manager *CZ*

REVIEWED BY: Tish Nava-Cruz, Director of Administrative Services/City Treasurer *TNC*

PREPARED BY: Octavio Duran Jr., Public Works Director/City Engineer *OD*

SUBJECT: Budget Adjustments for Emergency Preparedness and Response efforts as a result of the Line Fire for fiscal year 2024/2025.

RECOMMENDATION: That the Finance Subcommittee:

1. Approve a budget adjustment in the amount of \$99,999 from the General Fund reserves (Fund Balance 001-2100) to be expended from 001.1450.4260 for immediate emergency preparedness and response efforts.
2. Authorize the City Manager to approve contracts and purchase orders up to the Finance Subcommittee's authority limits for items related to emergency preparedness and response efforts.
3. Recommend that the City Council approve an additional budget adjustment in the amount of \$200,001 from the General Fund reserves, Economic Uncertainty fund balance (001-2550), to be expended from 001.1450.4260. This adjustment will bring the total budget for emergency preparedness and response efforts to \$300,000 for fiscal year 2024/2025.
4. Recommend that the City Council authorize the City Manager to approve contracts and purchase orders up to the total budgeted amount of \$300,000, for emergency preparedness and response efforts.

FISCAL IMPACT: The total fiscal impact of this initiative is \$300,000 from the City's General Fund Reserves. To mitigate this cost, the City has requested financial support from the USDA Natural Resources Conservation Service to cover a portion of the expenses related to the installation of protective measures. Additionally, the City will pursue reimbursement from its insurance provider to further reduce the financial impact on the General Fund reserves.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations per Resolution 2011-047 and on the City's website.

BACKGROUND: On September 5, 2024, the Line Fire broke out in Highland near the intersection of Base Line and Alpin Street impacting many of our east Highland residents. Major wildfires result in a loss of vegetation which could lead to an increased risk of flooding, landslides, and mudflows in areas affected by a fire during intense rainfall. Risks remain significantly higher until vegetation is restored, which is estimated to take 2-5 years after a wildfire. The City is preparing to address potential impacts from debris flows/flooding and provided an update on Line Fire response efforts to the Public Works Subcommittee on October 30, 2024.

The City is working closely with a team of technical experts and emergency personnel to evaluate impacts from the fire and identify measures to protect residents from potential debris flow/flooding, and to respond in an emergency. These efforts are unforeseen, and staff is seeking budget adjustments necessary to fund the purchase of equipment, materials, and for contract support as needed to implement mitigation measures or to respond to emergencies. While the full budgetary impact is being defined, expected needs are summarized below.

Item	Description	Estimated Cost
Storm Drain Cleaning		
Catch Basins, Culverts, and Other Basins	Proactive cleaning of basins and clearing of culverts is done annually with in-house and support from CalFire crews. Additional cleaning efforts may be needed during and after future rain events.	\$ 10,000.00
Channels	Channels – cleaning of major channels and lines occurs every 2-3 years with support from a contractor. A purchase order has been issued in the amount of \$36,714 to clear lines and culverts ahead of this upcoming storm season. Additional contract support will be needed to respond after future events and cost will vary depending on the effort,	\$ 37,000.00
Response Efforts	Post Storm Debris Response	\$10k-\$50k/occurrence
Protective Measures		
Engineering Services	On-Call contract to help evaluate and recommend emergency protective measures to put in place.	\$ 10,000.00
Sand Bags	Sand Bags - 50,000 Sand bags x \$2/bag filled; Close to 25,000 sand bags were provided last year and demand is expected to be higher	\$ 50,000.00
Krails/Gabian Walls/Barriers	K-Rails - the cost for each krail is \$1,000 including installation. The estimated quantity is being determined, but the City may need 100 pieces to start. Some of these costs may be offset by the USDA Natural Resources Conservation Service (NRCS) Emergency Watershed Protection Program (EWP). The EWP is a cost-share program that offers 75% of the costs to cities to install protection measures following a natural disaster.	\$ 100,000.00
Response Efforts		
Traffic Control	Two new Changeable Message Signs, traffic control cones/signs for closures and detours, barricades, and pipe gates	\$ 60,000.00
Equipment	The City recently procured a new 6" trash pump trailer to increase in-house response capabilities during future debris flows/floods. The purchase of a water truck is being evaluated and quotes received range between \$125,000-\$150,000 (Not included in the breakdown)	\$ 32,000.00
Contractor Support	Contract Support – the Public Works team is establishing a list of on-call contractors in addition to ensure 24/7 response during emergencies. This includes support for cleaning debris from streets/storm drains, traffic control, and additional labor/equipment.	TBD - Unknown
Emergency Response	Additional cost of increased Fire/Police Department Resources, EOC operation, etc.	TBD - Unknown

This item is being brought forward proactively to the Finance Subcommittee to streamline emergency preparedness efforts as we are quickly approaching the storm season. Providing the City Manager with the increased authorization will allow for quicker implementation once measures are defined.