HEARTLAND COMMUNICATIONS FACILITY AUTHORITY

Basic Financial Statements and Independent Auditor's Report

For the Year Ended June 30, 2021

Heartland Communications Facility Authority
Financial Statements
For the Year Ended June 30, 2021

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Independent Auditor's Report

Board of Commissioners
Heartland Communications Facility Authority
El Cajon, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Heartland Communications Facility Authority (the Authority) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2021 and the respective changes in financial position 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 (GAAS) 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 Authority 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's for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the 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 fraud or error.

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 Authority'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 GAAS 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 GAAS, 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 Authority'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 Authority'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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated December 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which such summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021 on our consideration of the Authority'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 solely 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 effectiveness of 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 Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 8, 2021

Heartland Communications Facility Authority
Statement of Net Position
June 30, 2021
(With prior year data for comparison purposes only)

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments (note 2)	$ 4,607,417	$ 4,559,828
Receivables:		
Accounts, net	163,995	27,343
Grants	612,301	164,760
Interest	13,654	17,676
Prepaids	150,819	-
Capital assets, net (note 3)	653,401	761,500
Total assets	6,201,587	5,531,107
Deferred outflows of resources (notes 9 and 10):		
Pension related	591,901	701,524
OPEB related	128,496	6,089
Deferred outflows of resources	720,397	707,613
Liabilities:		
Accounts payable	23,771	138,811
Accrued liabilities	24,207	87,052
Non-current liabilities (note 5):		
Due within one year	143,228	59,275
Due in more than one year	108,012	106,950
Total OPEB liability (note 10)	557,416	427,816
Net pension liability (note 9)	2,444,432	2,365,914
Total liabilities	3,301,066	3,185,818
Deferred inflows of resources (notes 9 and 10):		
Pension related	69,302	141,306
OPEB related	30,446	11,391
Deferred inflows of resources	99,748	152,697
Net position:		
Investment in capital assets	653,401	761,500
Restricted	4,225,475	1,470,661
Unrestricted	(1,357,706)	668,044
Total net position	$ 3,521,170	$ 2,900,205

The accompanying notes are an integral part of these financial statements.

Heartland Communications Facility Authority
Statement of Activities
For the year ended June 30, 2021
(With prior year data for comparison purposes only)

		Program Revenues		Net (Expense) Revenues and Changes in Net Position	
				Governmental Activities	
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	2021	2020
Governmental activities:					
Public safety	$ 3,625,341	$ 3,613,438	$ 612,301	$ 600,398	$ 394,481
Total governmental activities	$ 3,625,341	$ 3,613,438	$ 612,301	600,398	394,481
General revenues:					
Investment income				9,506	171,504
Other				11,061	130,779
Total general revenues				20,567	302,283
Change in net position				620,965	696,764
Net position, beginning				2,900,205	2,203,441
Net position, ending				$ 3,521,170	$ 2,900,205

The accompanying notes are an integral part of these financial statements.

Heartland Communications Facility Authority
Governmental Funds
Balance Sheet
June 30, 2021
(With prior year data for comparison purposes only)

	General Fund	Special Revenue Grant Fund	Capital Projects Fund	Total 2021	Total 2020
Assets:					
Cash and investments	$ 395,728	$ -	$ 4,211,689	$ 4,607,417	$ 4,559,828
Receivables:					
Accounts, net	151,672	-	12,323	163,995	27,343
Grants	-	612,301	-	612,301	164,760
Interest	6,200	-	7,454	13,654	17,676
Prepaid expenses	819	150,000	-	150,819	-
Due from other funds	762,301	-	-	762,301	441,864
Total assets	$ 1,316,720	$ 762,301	$ 4,231,466	$ 6,310,487	$ 5,211,471
Liabilities:					
Accounts payable	$ 17,780	$ -	$ 5,991	$ 23,771	$ 138,811
Accrued liabilities	24,207	-	-	24,207	87,052
Due to other funds	-	762,301	-	762,301	441,864
Total liabilities	41,987	762,301	5,991	810,279	667,727
Deferred inflows of resources:					
Unavailable revenue	-	612,301	-	612,301	-
Fund balances (deficit):					
Nonspendable	819	150,000	-	150,819	-
Assigned	-	-	4,225,475	4,225,475	1,470,661
Unassigned	1,273,914	(762,301)	-	511,613	3,073,083
Total fund balances	1,274,733	(612,301)	4,225,475	4,887,907	4,543,744
Total liabilities, deferred inflows of resources and fund balances	$ 1,316,720	$ 762,301	$ 4,231,466	$ 6,310,487	$ 5,211,471

The accompanying notes are an integral part of these financial statements.

Heartland Communications Facility Authority
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2021

Fund balances of governmental funds	$	4,887,907
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets		1,569,793
Accumulated depreciation		(916,392)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences		(251,240)
Net pension liability		(2,444,432)
Total OPEB liability		(557,416)
Deferred inflows and outflows of resources are not due and payable, or owed and receivable, respectively, in the current period, and therefore are not reported in the funds.		
Deferred outflows - OPEB		128,496
Deferred inflows - OPEB		(30,446)
Deferred outflows - pension		591,901
Deferred inflows - pension		(69,302)
Revenues are recorded as unavailable revenue in the governmental funds because they do not meet the revenue recognition criteria. However, they are classified as revenue in the Government-Wide Financial Statements.		612,301
Net position of governmental activities	$	3,521,170

The accompanying notes are an integral part of these financial statements.

Heartland Communications Facility Authority
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021
(With prior year data for comparison purposes only)

	General Fund	Special Revenue Grant Fund	Capital Projects Fund	Total 2021	Total 2020
Revenues:					
Intergovernmental	$ 3,256,287	$ -	$ 291,263	$ 3,547,550	$ 3,731,127
Charges for services	61,130	-	4,758	65,888	78,486
Investment income	(8,454)	-	17,960	9,506	171,504
Other	11,061	-	-	11,061	52,293
Total revenues	3,320,024	-	313,981	3,634,005	4,033,410
Expenditures:					
Current:					
Public safety	2,895,502	284,258	42,820	3,222,580	2,976,888
Capital outlay	-	50,939	16,323	67,262	365,617
Total expenditures	2,895,502	335,197	59,143	3,289,842	3,342,505
Excess (deficiency) of revenues over (under) expenditures	424,522	(335,197)	254,838	344,163	690,905
Other financing sources (uses):					
Transfers in	-	-	2,499,976	2,499,976	128,292
Transfers out	(2,499,976)	-	-	(2,499,976)	(128,292)
Total other financing sources (uses)	(2,499,976)	-	2,499,976	-	-
Net change in fund balances	(2,075,454)	(335,197)	2,754,814	344,163	690,905
Fund balances (deficit):					
Fund balances, beginning	3,350,187	(277,104)	1,470,661	4,543,744	3,852,839
Fund balances, ending	$ 1,274,733	$ (612,301)	$ 4,225,475	$ 4,887,907	$ 4,543,744

The accompanying notes are an integral part of these financial statements.

Heartland Communications Facility Authority
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the year ended June 30, 2021

Net changes in fund balances - total governmental funds	$	344,163
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense.		
Capitalized assets		40,066
Depreciation expense		(148,165)
Revenues not available on the modififed accrual basis of accounting are recognized when earned on the government-wide Statement of Activities.		612,301
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net pension expense adjustments		(116,137)
Increase in compensated absences		(85,015)
Total OPEB expense adjustments		(26,248)
Change in net position of governmental activities	$	620,965

The accompanying notes are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

(a) *Organization*

Heartland Communications Facility Authority (the Authority) was created on June 25, 1986, as amended by a Joint Exercise of Powers Agreement (the Agreement). The current participants having a common interest include the City of El Cajon (the City), City of Lemon Grove, City of Santee, City of La Mesa, Alpine Fire Protection Districts, Lakeside Fire Protection District, Bonita-Sunnyside Fire Protection District, and the San Miguel Fire Protection District, all in California (collectively as Member Agencies). This agreement shall continue in full force and effect as long as the number of Member Agencies is not reduced below two, or until such time as the Member Agencies agree to terminate the Agreement.

The Authority was formed to equip, maintain, operate, and staff a facility that provides emergency call receiving and dispatching services to the Member Agencies. The Authority also provides services to other public agencies on a contract basis. As of June 30, 2021, the Authority provided contract services to five other agencies within San Diego County.

One elected official from each Member Agency including the City of El Cajon is appointed to the Authority as a board member of the commission (the Commission). The Commission approves an annual budget based upon the costs of operating the Authority.

The books and records for the Authority are located in the City of El Cajon, Finance Department at 200 Civic Center Way, El Cajon, California 92020.

The City also provides clerical and accounting services for the Authority. Charges for services by the City to the Authority were $44,884 for the fiscal year ending June 30, 2021.

(1) Summary of Significant Accounting Policies, (continued)

(b) *Measurement focus, basis of accounting, and financial statement presentation*

The *financial statements* of the Authority are composed of the following:

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

Government-wide financial statements

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting.* Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures 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 nonexchange transactions are recognized in accordance with generally accepted accounting principles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

(1) Summary of Significant Accounting Policies, (continued)

(b) *Measurement focus, basis of accounting, and financial statement presentation (continued)*

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available with 180 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following as major governmental funds:

The *General Fund* is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Revenue Grant Fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to for special purposes other than those recorded in the General Fund or Capital Projects Fund.

The *Capital Projects Fund* is used to account for the financial resources associated with the acquisition of equipment for the Authority.

(c) *Annual budgets*

The Authority adopts an annual budget prepared on the modified accrual basis of accounting for its General Fund, Special Revenue Grant Fund and Capital Projects Fund.

(d) *Cash and investments*

Investments are reported in the accompanying balance sheet at fair value, except for non-participating certificates of deposit and investment contracts that are not transferable and that have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City of El Cajon pools cash and investments of all City funds, City component units and for certain other agencies, including the Authority. The Authority'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 quarterly to the various City funds and to the Authority based on daily average cash and investment balances.

(1) Summary of Significant Accounting Policies, (continued)

(e) *Capital assets*

Capital assets are recorded as expenditures in the governmental fund types at time of purchase. Assets with an initial cost of $5,000 or more are capitalized at cost. In the case of acquisitions through gifts or contributions, such assets are recorded at the estimated acquisition value at the time received. Costs or normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the Authority is depreciated using the straight-line method over the estimated useful life of between three and seven years.

(f) *Compensated absences payable*

Accumulated vacation, sick leave benefits and compensatory time, payable in future years when used by Authority employees, amounted to $251,240 as of June 30, 2021. These amounts are payable from future resources, rather than currently available expendable resources, and therefore have been reflected as a liability in the Government-wide Financial Statements. Also see note 5 to the financial statements regarding further information for compensated absences payable.

(g) *Government-wide*

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

- *Net investment in capital assets* - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements.

- *Restricted net position* - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

- *Unrestricted net position* - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

When both restricted and unrestricted net position is available to meet an expense, the Authority's policy is to apply restricted net position first.

(h) *Fund balance*

In accordance with generally accepted accounting principles, the following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used.

(1) Summary of Significant Accounting Policies, (continued)

(h) *Fund balance, (continued*)

- *Nonspendable fund balance:* amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

- *Restricted fund balance:* amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or enabling legislations.

- *Committed fund balance:* amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

- *Assigned fund balance:* amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

- *Unassigned fund balance:* amounts that are for any purpose, positive amounts are reported only in the general fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Authority has not designated any level of authority for assigning fund balance; therefore, the Board of Commissioners can assign fund balance.

When both restricted and unrestricted resources are available for uses when expenditure is incurred, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. It is the Authority's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications should be used.

(i) *Use of estimates*

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

(1) Summary of Significant Accounting Policies, (continued)

(j) *Pension plan*

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(k) *Other postemployment benefit plan (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined by an actuary. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	July 1, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(l) *Prior year data*

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data may have been made in order to enhance their comparability with current year amounts.

(2) Cash and Investments

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 4,607,417
Total cash and investments	$ 4,607,417

Cash and investments held by the Authority at June 30, 2021 consist of the following.

Equity in City's investment pool	$ 4,607,417
Total cash and investments	$ 4,607,417

Equity in the Cash and Investment Pool of the City of El Cajon

The Authority has no separate bank accounts or investments other than Authority's equity in the cash and investment pool managed by the City of El Cajon (the City). The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council. The Authority has not adopted an investment policy separate from that of the City's. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis. Refer to the City of El Cajon's Annual Comprehensive Financial Report for additional information about the pool and the pool's interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Fair value measurement

Currently, the Authority does not have any investments subject to recurring fair value measurement.

(3) Capital Assets

The following is a summary of changes in the capital assets during the fiscal year.

Governmental Activities:	Beginning balance	Additions	Deletions	Ending balance
Capital assets, being depreciated:				
Equipment	$ 1,529,727	$ 40,066	$ -	$ 1,569,793
Total capital assets, being depreciated	1,529,727	40,066	-	1,569,793
Less accumulated depreciation for:				
Equipment	(768,227)	(148,165)	-	(916,392)
Total accumulated depreciation	(768,227)	(148,165)	-	(916,392)
Total capital assets, being depreciated, net	761,500	(108,099)	-	653,401
Total capital assets, net	$ 761,500	$ (108,099)	$ -	$ 653,401

Depreciation expense was charged to the following function of the Authority as follows:

Public safety	$ 148,165

(4) Operating Leases

Heartland Communications Facility

The Authority leases its facility from the City of El Cajon on a month-to-month basis at a monthly rates ranging from $4,350 to $4,430 during the year. Rental expenses for the year ended June 30, 2021 were $60,773, which comprised of $52,744 in facility lease expenses and $8,029 in other lease expenses.

(5) Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Authority for the year ended June 30, 2021.

	Beginning balance	Additions	Retirements/ adjustments	Ending balance	Amount due in more than one year	Amount due within one year
Compensated absences	$ 166,225	$ 181,924	$ 96,909	$ 251,240	$ 108,012	$ 143,228
Total OPEB liability	427,816	129,600	-	557,416	557,416	-
Net pension liability	2,365,914	78,518	-	2,444,432	2,444,432	-
	$ 2,959,955	$ 390,042	$ 96,909	$ 3,253,088	$ 3,109,860	$ 143,228

Compensated absences are typically liquidated from the General Fund.

(6) Transfers In/Out and Due to/from

For the year ended June 30, 2021, transfers in/out are as follows:

Transfers out:	Transfers in: Capital Projects Fund
General Fund	$ 2,499,976

The $2,499,976 transferred from the General Fund to the Capital Projects Fund represents an annual operational transfer and for future capital improvements.

Due to:	Due from: Special Revenue Grant Fund
General Fund	$ 762,301

The $762,301 represents borrowings to cover deficit cash balances.

(7) Deficit Fund Balances

At June 30, 2021, the Special Revenue Grant Fund had a negative fund balance of $612,301.

(8) Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Authority employees, permits them to defer a portion of their salary to be deposited in individual investment accounts. Funds may be withdrawn by participants upon termination, retirement, death or certified emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries.

(9) Defined Benefit Pension Plan (PERS)

General information about the 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 safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Authority sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and Authority 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, at www.calpers.ca.gov.

Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(9) Defined Benefit Pension Plan (PERS), (continued)

General information about the pension plan, (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

	Miscellaneous Plan	
Hire date	Prior to January 1, 2011	On or after January 1, 2013
Benefit formula	2.7% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0%-2.7%	1.0%-2.5%
Required employer contribution rates FY2021	14.33% + $90,052	7.65% + $2,271

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer contribution rates may change if plan contracts are amended. Employer contributions to the Plan for the fiscal year ended June 30, 2021 were $319,922. The actual employer payments for the miscellaneous plan of $383,663, made to CalPERS by the Authority during the measurement period ending June 30, 2020, differed from the Authority's proportionate share of the employer's contributions of $312,026 by ($71,637) which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employers plans.

(9) Defined Benefit Pension Plan (PERS), (continued)

Net pension liability

The Authority's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial methods and assumptions used to determine total pension liability

	Miscellaneous Plan
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

[1]The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 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 December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

(9) Defined Benefit Pension Plan (PERS), (continued)

Net pension liability, (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 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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[1]	New Strategic Allocation	Real Return Years - 10[2]	Real Return Years 11+[3]
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	100%		

[1] In the System's ACFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

[2] An expected inflation of 2.0% used for this period

[3] An expected inflation of 2.92% used for this period

(9) Defined Benefit Pension Plan (PERS), (continued)

Net pension liability, (continued)

Change in assumption

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Discount rate

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

Pension plan fiduciary net position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

(9) Defined Benefit Pension Plan (PERS), (continued)

Proportionate share of net pension liability

The following table shows the Plans' proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019 (VD)	$ 8,628,814	$ 6,262,900	$ 2,365,914
Balance at: 6/30/2020 (MD)	9,428,054	6,983,622	2,444,432
Net changes during 2019-20	799,240	720,722	78,518

Valuation Date (VD), Measurement Date (MD)

The Authority's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The Authority's proportionate share of the net pension liability for the miscellaneous/safety/total Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

	Miscellaneous Plan
Proportionate Share - June 30, 2019	0.05908%
Proportionate Share - June 30, 2020	0.05795%
Change - Increase (Decrease)	-0.00113%

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 3,699,076	$ 2,444,432	$ 1,407,760

(9) Defined Benefit Pension Plan (PERS), (continued)

Proportionate share of net pension liability, (continued)

Subsequent events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss.

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

(9) Defined Benefit Pension Plan (PERS), (continued)

Proportionate share of net pension liability, (continued)

Pension expense and deferred outflows and deferred inflows of resources related to pensions

As of the start of the measurement period (July 1, 2019), the Authority's net pension liability for the plan was $2,365,914. For the measurement period ending June 30, 2020 (the measurement date), the Authority incurred a pension expense of $436,059 for the Plan.

As of June 30, 2021, the Authority has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 125,969	$ -
Changes of assumptions	-	(17,435)
Net difference between projected and actual earnings on pension plan investments	72,615	-
Change in employer's proportion	20,610	(33,308)
Net difference between contributions and proportionate share of contributions	52,785	(18,559)
Pension contributions subsequent to measurement date	319,922	
	$ 591,901	$ (69,302)

(9) Defined Benefit Pension Plan (PERS), (continued)

Pension expense and deferred outflows and deferred inflows of resources related to pensions, (continued)

These amounts above are net of outflows and inflows recognized in the 201-20 measurement period expense. Contributions subsequent to the measurement date of $319,922 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows

Fiscal year ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2022	$ 30,321
2023	78,662
2024	58,866
2025	34,828
2026	-
Thereafter	-

Payable to the pension plan

At June 30, 2021, the Authority reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

(10) Other Postemployment Benefits (OPEB)

General information about the OPEB plan

Plan description

The Authority has established a Retiree Healthcare Plan (HC Plan), and participates in a single employer defined benefit retiree healthcare plan. Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care ACT (PEMHCA). This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS), which is either (a) attainment of age 55 or older (age 62 for PEPRA members) with at least five years of State or public agency service or (b) retiring directly from the Authority. For disability retirees, upon eligibility for a disability pension. A separate financial report is not prepared for the HC Plan.

(10) Other Postemployment Benefits, (continued)

General information about the pension plan, (continued)

Benefits provided

The Authority provides a monthly contribution towards certain health benefits for retired members who retired on or after July 1, 1992. The monthly contribution was $143 and $139 during calendar years 2021 and 2020, respectively, in accordance with PEMHCA.

Employees covered

As of the June 30, 2019 actuarial valuation date, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	17
Inactive employees or beneficiaries currently receiving benefits	5
Total	**22**

Contributions

The Authority makes health premium contributions for eligible retirees that enroll in a CalPERS health plan during retirement. The current monthly amounts paid by the retirees could range from $311 – $2,231 depending on the coverage selected and whether a spouse is covered. These amounts change annually based on the retiree's health plan election and rates published by CalPERS. The Authority provided amounts are detailed in the Summary of Principal Plan Provisions. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the Authority's cash payments were $7,368 and the estimated implied subsidy of $11,625 resulting in total OPEB payments of $18,993.

Total OPEB liability

The Agency's total OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount rate	2.66% per annum.
Inflation	2.75%, per annum
Cost method	Entry Age Normal
Payroll growth	2.75% per year, plus merit increases
Mortality rate	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using scale MP-2020
Medical trend rate	For 2021 actual, for periods beyond decreasing by .25% per year

(10) Other Postemployment Benefits, (continued)

Discount Rate

The Authority does not currently fund its OPEB liability, the discount rate used to measure the total OPEB liability was 2.66%.

Changes in the OPEB Liability

The changes in the total OPEB liability for the HC Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (B)	Net OPEB Liability/(Asset) (c)= (a) - (b)
Balance at June 30, 2020			
(Valuation Date June 30, 2019)	$ 427,816	$ -	$ 427,816
Changes recognized for the measurement period:			
Service cost	22,816	-	22,816
Interest	14,011	-	14,011
Changes of benefit terms	-	-	-
Contributions - employer	-	11,795	(11,795)
Changes in assumptions	61,553	-	61,553
Benefit payments	(11,795)	(11,795)	-
Differences in expected and actual experince	43,015	-	43,015
Net changes	129,600	-	129,600
Balance at June 30, 2021	$ 557,416	$ -	$ 557,416

Changes in assumptions

For the June 30, 2020 measurement date, the discount rate was changed from 3.15% to 2.66%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Agency if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
Total OPEB Liability	$ 640,420	$ 557,416	$ 497,150

(10) Other Postemployment Benefits, (continued)

Total OPEB liability, (continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following represents the impact of a 1% change in assumed medical inflation using rates that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 476,292	$ 557,416	$ 662,295

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (10.0 Years at June 30, 2020)

(10) Other Postemployment Benefits, (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources, (continued)

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

For the fiscal year ended June 30, 2021, the Agency recognized OPEB expense of $42,562. As of fiscal year ended June 30, 2021, the Agency reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 18,993	$ -
Changes of assumptions	70,790	(24,457)
Differences between expected and actual experience	38,713	(5,989)
Total	$ 128,496	$ (30,446)

The $18,993 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other deferred amounts will be recognized in OPEB expense as follows:

Fiscal year ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	$ 6,933
2023	6,933
2024	6,933
2025	6,933
2026	6,937
Thereafter:	44,388

(11) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority has purchased commercial insurance with various coverage amounts to mitigate these risks. There were no settlements in excess of the insurance coverage in any of the three prior years.

(12) COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. There is considerable uncertainty around the virus due the possibility of more virulent variants. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

Heartland Communications Facility Authority
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2021

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Intergovernmental	$ 3,256,287	$ 3,256,287	$ 3,256,287	$ -
Charges for services	68,458	68,458	61,130	(7,328)
Investment income	8,000	8,000	(8,454)	(16,454)
Other	5,000	5,000	11,061	6,061
Total revenues	3,337,745	3,337,745	3,320,024	(17,721)
Expenditures:				
Current:				
Public safety				
Salaries and benefits	2,667,322	2,667,322	2,394,180	273,142
Materials, services and supplies	581,071	581,071	501,322	79,749
Total expenditures	3,248,393	3,248,393	2,895,502	352,891
Excess of revenues over expenditures	89,352	89,352	424,522	335,170
Other financing sources (uses):				
Transfers out	(2,501,680)	(2,501,680)	(2,499,976)	1,704
Total other financing sources (uses)	(2,501,680)	(2,501,680)	(2,499,976)	1,704
Net change in fund balance	(2,412,328)	(2,412,328)	(2,075,454)	336,874
Fund balance, beginning	2,324,624	2,324,624	3,350,187	1,025,563
Fund balance, ending	$ (87,704)	$ (87,704)	$ 1,274,733	$ 1,362,437

Heartland Communications Facility Authority
Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Grant Fund
For the year ended June 30, 2021

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Intergovernmental	$ -	$ 402,000	$ -	$ (402,000)
Total revenues	-	402,000	-	(402,000)
Expenditures:				
Current:				
Public safety	-	402,000	284,258	117,742
Capital outlay	-	-	50,939	(50,939)
Total expenditures	-	402,000	335,197	66,803
Net change in fund balance	-	-	(335,197)	(335,197)
Fund balance (deficit), beginning	(264,000)	(264,000)	(277,104)	(13,104)
Fund balance (deficit), ending	$ (264,000)	$ (264,000)	$ (612,301)	$ (348,301)

Heartland Communications Facility Authority
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
as of the Measurement Date
For the last 10 years*

Measurement Period	2017	2018	2019	2020
Total OPEB Liability				
Service cost	$ 10,615	$ 10,987	$ 20,457	$ 22,816
Interest	9,643	10,499	13,945	14,011
Differences in actual and expected experience	-	(9,583)	-	43,015
Changes in assumptions	-	(39,133)	20,524	61,553
Changes in benefit terms	-	123,826	-	-
Benefit payments	(4,252)	(5,039)	(10,185)	(11,795)
Net change in Total OPEB Liability	16,006	91,557	44,741	129,600
Total OPEB Liability - beginning	275,512	291,518	383,075	427,816
Total OPEB Liability - ending (a)	291,518	383,075	427,816	557,416
Plan Fiduciary Net Position				
Contribution - employer	4,252	5,039	10,185	11,795
Net investment income	-	-	-	-
Benefit payments	(4,252)	(5,039)	(10,185)	(11,795)
Administrative expense	-	-	-	-
Net change in Plan Fiduciary Net Position	-	-	-	-
Plan Fiduciary Net Position - beginning	-	-	-	-
Plan Fiduciary Net Position - ending (b)	-	-	-	-
Net OPEB Liability - ending (a) - (b)	$ 291,518	$ 383,075	$ 427,816	$ 557,416
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll (1)	$ 775,000	$ 798,443	$ 1,027,000	$ 1,027,000
Net OPEB liability as a percentage of covered employee payroll (1)	37.62%	47.98%	41.66%	54.28%

Notes to schedule:
Charges in assumptions: For the measurement date June 30, 2020, the discount rate was changed from 3.15% to 2.66%

* Measurement date June 30, 2017 (fiscal year 2018) was the first year of implementation.

(1) Contributions are not based on a measure of pay.

Heartland Communications Facility Authority
Required Supplementary Information
Schedule of Contributions – Total OPEB Liability
For the last 10 years*

Fiscal year	Actuarially Determined Contributions (ADC)	Contributions in relation to the ADC	Contribution deficiency/ (excess)	Covered employee payroll [1]	Contribution as a percentage of covered employee payroll
6/30/2018	$ 20,315	$ (3,877)	$ 16,438	$ 798,443	0.49%
6/30/2019	10,185	(5,454)	4,731	1,027,000	0.53%
6/30/2020	11,795	(5,311)	6,484	1,027,000	0.52%
6/30/2021	18,993	(7,368)	11,625	1,354,413	0.54%

Notes to schedule:

Actuarial methods and assumptions used to set actuarially determined contributions for fiscal year 2021 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Methodology	Level % of Pay
Asset Valuation Method	As of the valuation date, there were no reported GASB eligible assets
Inflation	2.75%
Payroll Growth	2.75% per year, plus merit increases
Investment Rate of Return	2.66%
Healthcare Trend	For 2021 actual, for periods beyond decreasing by .25% per year
Mortality	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using scale MP-2020

* = Fiscal year 2018 was the first year of implementation. Additional years to be presented as information becomes available.

[1] Contributions are not based on a measure of pay.

Heartland Communications Facility Authority
Required Supplementary Information
Schedule of Authority's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
For the last 10 years*

Measurement date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
6/30/2014	0.01831%	$ 1,139,250	$ 827,336	137.70%	83.03%
6/30/2015	0.02190%	1,502,310	870,880	172.50%	78.07%
6/30/2016	0.02200%	1,906,940	919,156	207.47%	73.75%
6/30/2017	0.02234%	2,215,807	1,126,342	196.73%	73.07%
6/30/2018	0.02258%	2,176,142	1,097,764	198.23%	74.95%
6/30/2019	0.02309%	2,365,914	1,203,362	196.61%	72.58%
6/30/2020	0.02247%	2,444,432	1,354,983	180.40%	72.58%

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2014-15) was the first year of implementation. Additional years to be presented as information becomes available.

Heartland Communications Facility Authority
Required Supplementary Information
Schedule of Plan Contributions - Net Pension Liability
For the last 10 years*

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 135,560	$ (135,560)	$ -	$ 870,880	15.57%
6/30/2016	167,968	(167,968)	-	919,156	18.27%
6/30/2017	200,518	(200,518)	-	1,126,342	17.80%
6/30/2018	206,306	(206,306)	-	1,097,764	18.79%
6/30/2019	238,894	(238,894)	-	1,203,362	19.85%
6/30/2020	383,663	(383,663)	-	1,354,983	28.31%
6/30/2021	319,922	(319,922)	-	1,437,768	22.25%

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

* Fiscal year 6/30/2015 was the first year of implementation. Additional years to be presented as information becomes available.

Heartland Communications Facility Authority
Notes to Required Supplementary Information
For the year ended June 30, 2021

(1) Excess of Expenditures over Appropriations

At June 30, 2021, no fund had expenditures that exceeded total appropriations.

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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*

Board of Commissioners
Heartland Communications Facility Authority
El Cajon, California

Independent Auditor's Report

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 and each major fund of the Heartland Communications Facility Authority (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 8, 2021