

*REPORT OF EXAMINATION*

**CITY OF  
HIGHLAND HAVEN**

*Highland Haven, Texas*

**For the Year Ended  
September 30, 2020**

CITY OF HIGHLAND HAVEN  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2020

CITY OF HIGHLAND HAVEN  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
 <u>Basic Financial Statements</u>	
<b>Government Wide Statements:</b>	
A-1 Statement of Net Position .....	8
B-1 Statement of Activities.....	9
<b>Governmental Fund Financial Statements:</b>	
C-1 Balance Sheet .....	11
C-2 Reconciliation for C-1 .....	12
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance .....	13
C-4 Reconciliation for C-3 .....	14
<b>Proprietary Fund Financial Statements:</b>	
D-1 Statement of Net Position .....	15
D-2 Statement of Revenues, Expenses and Changes in Fund Net Position .....	16
D-3 Statement of Cash Flows.....	17
Notes to the Financial Statements .....	18
<u>Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund .....	27



# NEFFENDORF & BLOCKER, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Highland Haven  
Highland Haven, TX

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of City of Highland Haven, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Highland Haven, as of September 30, 2020, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 26 be presented to supplement the basic financial statements. Such 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. 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.

A handwritten signature in blue ink that reads "Neffendorf + Blocker, P.C.".

Neffendorf & Blocker, P.C.  
Fredericksburg, Texas

February 15, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Haven, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2019. Please read it in conjunction with the independent auditor's report on page 1, and the City's Basic Financial Statements which begin on page 8.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$836,461 (net position). Of this amount, \$495,246 (unrestricted net position) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net position increased by \$95,330 as a result of this year's operations.
- At September 30, 2020, the City's general fund reported an ending fund balance of \$270,674, an increase of \$44,131 in comparison with the prior year.
- At September 30, 2020, the City's Water Utility Fund reported a total net position of \$403,625, an increase of \$77,911 in comparison with the prior year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 11 and 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (general fund) is presented as required supplementary information on page 27.

## **Reporting the City as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, highways and streets, and administration. Property taxes, user charges and franchise tax finance most of these activities.
- Business-type activity - The City's water utility fund is reported as a business-type activity since the fees charged to customers cover the cost of services provided.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water Utility) is a business-type activity and provides both long and short-term financial information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental activities.

Net position of the City's governmental activities increased from \$415,417 to \$432,836. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$271,122 at September 30, 2020. This increase in governmental net position was the result of three factors. First, the City's revenues exceeded the expenditures by \$44,131. Second, the City recorded depreciation in the amount of \$24,406. Third, the City recorded unearned tax revenues in the amount of \$448.

Net position of the City's business-type activities at September 30, 2020 were \$403,625. Unrestricted net position was \$224,124. This increase in business-type net position was the result of net income of \$77,911.

**Table I**  
**City of Highland Haven**

### NET POSITION

	Governmental Activities	Business Type Activities	TOTAL
Current and Other Assets	\$ 293,540	\$ 327,001	\$ 620,541
Capital Assets	161,714	747,213	908,927
Total Assets	\$ 455,254	\$ 1,074,214	\$ 1,529,468
Deferred Outflow of Resources	\$ -	\$ 48,420	\$ 48,420
Current Liabilities	\$ 22,418	\$ 9,009	\$ 31,427
Long Term Liabilities	-	710,000	710,000
Total Liabilities	\$ 22,418	\$ 719,009	\$ 741,427
Net Position:			
Invested in Capital Assets	\$ 161,714	\$ 84,501	\$ 246,215
Net of Related Debt			
Restricted	-	95,000	95,000
Unrestricted	271,122	224,124	495,246
Total Net Position	\$ 432,836	\$ 403,625	\$ 836,461

**Table II**  
**City of Highland Haven**

**CHANGES IN NET POSITION**

	Governmental Activities	Business Type Activities	TOTAL
Revenues:			
Charges for Services	\$ 23,053	\$ 335,704	\$ 358,757
Operating Grants & Contributions	-	-	-
Maintenance & Operations Taxes	181,228	-	181,228
Franchise Taxes	18,459	-	18,459
Other Revenues	6,040	3,958	9,998
Total Revenue	<u>\$ 228,780</u>	<u>\$ 339,662</u>	<u>\$ 568,442</u>
Expenses:			
Financial Administration	\$ 130,048	\$ -	\$ 130,048
Public Safety	111,301	-	111,301
Highways and Streets	1,209	-	1,209
Parks and Grounds	1,678	-	1,678
Water Utility	-	161,813	161,813
Depreciation/Amortization	-	44,197	44,197
Debt Service	-	22,866	22,866
Total Expenses	<u>\$ 244,236</u>	<u>\$ 228,876</u>	<u>\$ 473,112</u>
Increase in Net Position Before Transfers	\$ (15,456)	\$ 110,786	\$ 95,330
Transfers	<u>32,875</u>	<u>(32,875)</u>	<u>-</u>
Net Change	\$ 17,419	\$ 77,911	\$ 95,330
Net Position - Beginning	<u>415,417</u>	<u>325,714</u>	<u>741,131</u>
Net Position - Ending	<u>\$ 432,836</u>	<u>\$ 403,625</u>	<u>\$ 836,461</u>

The cost of all governmental activities this year was \$244,236. However, as shown in the Statement of Activities on page 9, the amount that our taxpayers ultimately financed for these activities with City taxes was \$181,228 because the other costs were paid by franchise tax (\$18,459), user charges (\$23,053), interest income (\$1,005) and miscellaneous (\$5,035).

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a fund balance of \$270,674, which is more than last year's total of \$226,543. The primary reason for the Governmental Fund's increase was due to revenues exceeded expenditures by \$44,131.

The City adopts an annual budget for the General Fund. Actual revenues were more than budgeted amounts and actual expenditures were less than budgeted amounts. A budgetary comparison statement (page 27) has been provided to demonstrate compliance.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2020, the City had the following amounts invested in capital assets:

	Governmental Activities	Business Type Activities	TOTAL
Land	\$ 46,827	\$ 20,000	\$ 66,827
Buildings	44,338	45,234	89,572
Improvements	329,396	-	329,396
Infrastructure	-	992,409	992,409
Furniture & Equipment	28,031	62,768	90,799
Intangible Assets	-	170,115	170,115
Total Capital Assets	\$ 448,592	\$ 1,290,526	\$ 1,739,118
Accumulated Depreciation/Amortization	286,878	543,313	830,191
Capital Assets, Net	\$ 161,714	\$ 747,213	\$ 908,927

More detailed information about the City's capital assets is presented in Note C and D to the financial statements.

## DEBT

For business type activities, the City had \$710,000 in certificates of obligation outstanding. During the year ended September 30, 2020, the City paid \$95,000 principal on the certificates.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. Amounts available for appropriation in the General Fund budget and estimated expenditures are more than the prior year.

If these estimates are realized, the City's budgetary General fund balance is expected to decrease \$36,592 by the end of fiscal year 2021.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Highland Haven, Highland Haven, Texas.

## BASIC FINANCIAL STATEMENTS

CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 60,640	\$ 148,251	\$ 208,891
Investments - Current	210,580	159,916	370,496
Accounts Receivable (Net)	2,320	27,584	29,904
Due from Other Funds	20,000	(20,000)	-
Inventories	-	11,250	11,250
Capital Assets:			
Land Purchase and Improvements	46,827	-	46,827
Buildings, Net	21,526	-	21,526
Improvements other than Buildings, Net	88,730	-	88,730
Furniture and Equipment, Net	4,631	-	4,631
Capital Assets, Net	-	677,823	677,823
Other Assets	-	69,390	69,390
Total Assets	455,254	1,074,214	1,529,468
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	-	48,420	48,420
Total Deferred Outflows of Resources	-	48,420	48,420
<b>LIABILITIES</b>			
Accounts Payable	2,398	7,877	10,275
Wages and Salaries Payable	3,780	-	3,780
Accrued Interest Payable	-	1,132	1,132
Other Current Liabilities	16,240	-	16,240
Noncurrent Liabilities:			
Debt Due Within One Year	-	95,000	95,000
Bonds Payable - Noncurrent	-	615,000	615,000
Total Liabilities	22,418	719,009	741,427
<b>NET POSITION</b>			
Net Investment in Capital Assets	161,714	84,501	246,215
Restricted for Debt Service	-	95,000	95,000
Unrestricted Net Position	271,122	224,124	495,246
Total Net Position	\$ 432,836	\$ 403,625	\$ 836,461

The notes to the financial statements are an integral part of this statement.



CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues
	Expenses	Charges for Services
<b>Primary Government:</b>		
GOVERNMENTAL ACTIVITIES:		
Financial Administration	\$ 130,048	\$ 2,366
Public Safety	111,301	-
Highways and Streets	1,209	20,687
Parks	1,678	-
Total Governmental Activities	<u>244,236</u>	<u>23,053</u>
BUSINESS-TYPE ACTIVITIES:		
Water Utility Fund	<u>228,876</u>	<u>335,704</u>
Total Business-Type Activities	<u>228,876</u>	<u>335,704</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 473,112</u></u>	<u><u>\$ 358,757</u></u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Franchise Tax

Penalty and Interest on Taxes

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (127,682)	\$ -	\$ (127,682)
(111,301)	-	(111,301)
19,478	-	19,478
(1,678)	-	(1,678)
(221,183)	-	(221,183)
-	106,828	106,828
-	106,828	106,828
(221,183)	106,828	(114,355)
181,228	-	181,228
18,459	-	18,459
1,201	-	1,201
3,125	-	3,125
709	3,594	4,303
1,005	364	1,369
32,875	(32,875)	-
238,602	(28,917)	209,685
17,419	77,911	95,330
415,417	325,714	741,131
\$ 432,836	\$ 403,625	\$ 836,461

CITY OF HIGHLAND HAVEN, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

EXHIBIT C-1

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 60,640
Investments - Current	210,580
Taxes Receivable	448
Accounts Receivable (Net)	1,872
Due from Other Funds	20,000
	<hr/>
Total Assets	\$ 293,540
	<hr/>
LIABILITIES	
Accounts Payable	\$ 2,398
Wages and Salaries Payable	3,780
Other Current Liabilities	16,240
	<hr/>
Total Liabilities	22,418
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	448
	<hr/>
Total Deferred Inflows of Resources	448
	<hr/>
FUND BALANCE	
Unassigned Fund Balance	270,674
	<hr/>
Total Fund Balance	270,674
	<hr/>
Total Liabilities, Deferred Inflows & Fund Balance	\$ 293,540
	<hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHLAND HAVEN, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$ 270,674
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	186,120
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(24,406)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of these reclassifications and recognitions is to increase net position.	448
<b>Net Position of Governmental Activities</b>	\$ 432,836

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-3

General  
Fund

REVENUES:

Taxes:

Property Taxes	\$ 184,735
Franchise Tax	18,459
Licenses and Permits	20,687
Charges for Services	2,366
Investment Earnings	1,005
Contributions & Donations from Private Sources	3,125
Other Revenue	709

Total Revenues	231,086
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EXPENDITURES:

Current:

Financial Administration	116,907
Public Safety	100,320
Public Works:	
Highways and Streets	1,090
Parks	1,513

Total Expenditures	219,830
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Excess of Revenues Over Expenditures	11,256
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OTHER FINANCING SOURCES (USES):

Transfers In	32,875
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Total Other Financing Sources (Uses)	32,875
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Net Change in Fund Balance	44,131
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Fund Balance - October 1 (Beginning)	226,543
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Fund Balance - September 30 (Ending)	\$ 270,674
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The notes to the financial statements are an integral part of this statement.

CITY OF HIGHLAND HAVEN, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 44,131
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(24,406)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(2,306)
<b>Change in Net Position of Governmental Activities</b>	<hr/> \$ 17,419 <hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2020

EXHIBIT D-1

	Business Type Activities
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 148,251
Investments - Current	159,916
Accounts Receivable (Net)	27,584
Inventories	11,250
Total Current Assets	<u>347,001</u>
Noncurrent Assets:	
Capital Assets:	
Capital Assets	1,120,411
Accumulated Depreciation - Capital Assets	(442,588)
Other Assets	69,390
Total Noncurrent Assets	<u>747,213</u>
Total Assets	<u>1,094,214</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge for Refunding	48,420
Total Deferred Outflows of Resources	<u>48,420</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	7,877
Due to Other Funds	20,000
Accrued Interest Payable	1,132
Bonds Payable - Current	95,000
Total Current Liabilities	<u>124,009</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	615,000
Total Noncurrent Liabilities	<u>615,000</u>
Total Liabilities	<u>739,009</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	84,501
Restricted for Debt Service	95,000
Unrestricted Net Position	224,124
Total Net Position	<u><u>\$ 403,625</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT D-2

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 229,951
Solid Waste Revenue	105,753
Other Revenue	3,594
Total Operating Revenues	<u>339,298</u>
OPERATING EXPENSES:	
Purchased Professional & Technical Services	39,652
Purchased Property Services	11,797
Other Operating Costs	17,956
Supplies	14,142
Solid Waste Expense	78,266
Depreciation	44,197
Total Operating Expenses	<u>206,010</u>
Operating Income	<u>133,288</u>
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	364
Interest Expense - Non-Operating	(22,866)
Total NonOperating Revenue (Expenses)	<u>(22,502)</u>
Income Before Transfers	110,786
Transfers Out (Use)	<u>(32,875)</u>
Change in Net Position	77,911
Total Net Position - October 1 (Beginning)	<u>325,714</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 403,625</u></u>

The notes to the financial statements are an integral part of this statement.



CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 340,274
Cash Payments for Suppliers	(14,142)
Cash Payments for Other Operating Expenses	(151,176)
Net Cash Provided by Operating Activities	<u>174,956</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(32,875)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Interest Paid	(16,010)
Principal Paid- Bonds	(95,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(111,010)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	364
Net Increase in Cash and Cash Equivalents	31,435
Cash and Cash Equivalents at the Beginning of the Year	<u>276,732</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 308,167</u></u>
<u>Reconciliation of Operating Income to Net Cash     Provided By Operating Activities:</u>	
Operating Income	\$ 133,288
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	44,197
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	976
Increase (Decrease) in Accounts Payable	(3,505)
Net Cash Provided by Operating Activities	<u><u>\$ 174,956</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHLAND HAVEN  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Highland Haven, Texas (the City), a municipal corporation in Burnet County, Texas, was incorporated under the general laws of the State of Texas. The City operates under an Aldermen-Mayor form of government and provides services such as highways, streets, culture, recreation, community improvements, judicial, planning and zoning, general administrative services, and other services as authorized by its code of ordinances and its citizens.

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

A. Reporting Entity

The Board of Aldermen is elected at large, and consists of a mayor and five aldermen, and is the level of government which has governing responsibilities over all activities related to the City. The City is not included in any other governmental reporting entity. Aldermen are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the City, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Highland Haven nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise tax, charges for services and other miscellaneous revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations

outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

The fund financial statements provide reports on the financial condition and results of operations for governmental funds. The City considers both governmental funds major and reports their financial condition and results of operations in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from other sources are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental fund:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Proprietary Fund:

1. **Enterprise Fund** - The Water Utility Fund is operated as an Enterprise Fund.

E. Other Accounting Policies

1. Capital assets, which include land, buildings, furniture, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	15
Machinery & Equipment	7-10
Infrastructure	30

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

2. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
3. The original budget is adopted by the Board of Aldermen prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The original and final amended budgets have been presented in this report. Unencumbered appropriations lapse at the end of each year.

4. Fund Equity

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the

constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-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 by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

5. Implementation of New GASB Accounting Standard

The City has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under GASB 63, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

6. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2020, the carrying amount of the City's deposits was \$208,891 and the bank balance was \$223,894. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Temporary investments consisted of money market accounts and government pool investments as follows:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
<u>Money Market Account-</u>				
First United Bank -General	\$ 105,069	\$ 105,069	\$ 105,069	\$ -
American Bank Commerce- General	103,157	103,157	103,157	-
Anthem Bank- Water Fund	159,916	159,916	159,916	-
 <u>Liquid Asset Portfolio -</u>				
Texpool - General	<u>2,354</u>	<u>2,354</u>	<u>-</u>	<u>-</u>
 Total Temporary Investments	<u>\$ 370,496</u>	<u>\$ 370,496</u>	<u>\$ 368,142</u>	<u>\$ -</u>

Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

- \* TexPool is a Local Government Investment Pool established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seek to maintain a constant net value of \$1.00, although this cannot be guaranteed. TexPool is rated AAAM and must maintain a weighted average maturity not to exceed 60 days.

At September 30, 2020, TexPool had a weighted average maturity of 38 days. The City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value. The State Comptroller oversees TexPool, with a third party managing the daily operations of the pool under contract.

#### Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

**Custodial Credit Risk - Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2020 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

**Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Texpool Investment Pool invests only in investments authorized under the Public Funds Investment Act. TexPool's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$.995 or rises above \$1.005.

#### B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City fiscal year.



For the 2019 tax roll, the City of Highland Haven had property with an assessed valuation of \$149,192,255. The tax rate was \$0.1221 per \$100 valuation (general fund only).

C. Capital Asset Activity

Capital asset activity for the governmental activities for the year ended September 30, 2020, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 46,827	\$	\$	\$ 46,827
Buildings	44,338			44,338
Furniture & Equipment	28,031			28,031
Improvements	329,396			329,396
Totals at Historic Cost	\$ 448,592	\$ -	\$ -	\$ 448,592
Less Accumulated Depreciation For:				
Buildings	(20,585)	(2,227)		(22,812)
Furniture & Equipment	(21,874)	(1,526)		(23,400)
Improvements	(220,013)	(20,653)		(240,666)
Total Accumulated Depreciation	\$ (262,472)	\$ (24,406)	\$ -	\$ (286,878)
Governmental Activities Capital Assets, Net	\$ 186,120	\$ (24,406)	\$ -	\$ 161,714

D. Property, Plant and Equipment – Enterprise Fund

Changes in the Enterprise (Water) Fund for the year ended September 30, 2020, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 20,000	\$	\$	\$ 20,000
Buildings	45,234			45,234
Infrastructure	992,409			992,409
Equipment	62,768			62,768
Intangible Assets	170,115			170,115
TOTAL ASSETS	\$ 1,290,526	\$ -	\$ -	\$ 1,290,526
Accumulated Depreciation	\$ (407,344)	\$ (35,244)	\$	\$ (442,588)
Accumulated Amortization	(91,772)	(8,953)		(100,725)
FIXED ASSETS, NET	\$ 791,410	\$ (44,197)	\$ -	\$ 747,213

E. Certificates of Obligation – Series 2016

A summary of long-term debt follows:

	Outstanding 10/1/2019	Issued	Retired	Outstanding 9/30/2020	Due Within One Year
Certificates of Obligation- Series 2016	\$ 805,000	\$ -	\$ 95,000	\$ 710,000	\$ 95,000



During 2017, the City advance refunded the Certificates of Obligation- Series 2009 (\$925,000). The bonds were called and were redeemed on November 17, 2016 by purchasing \$974,402 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2016 bonds mature on March 1 in each of the years 2017 through 2027, bearing interest at 1.99%. The refunding bonds resulted in a gross debt service savings of \$162,817 and the net present value savings of \$148,121.

The annual requirements to amortize the refunding bonds as of September 30, 2020 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2021	95,000	14,129	109,129
2022	100,000	12,239	112,239
2023	100,000	10,249	110,249
2024	100,000	8,259	108,259
2025	105,000	6,269	111,269
2026-2027	210,000	6,269	216,269
Totals	<u>\$ 710,000</u>	<u>\$ 57,414</u>	<u>\$ 767,414</u>

F. During the year ended September 30, 2020, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	\$ 32,875	\$ -
Water Utility Fund	-	32,875
Totals	<u>\$ 32,875</u>	<u>\$ 32,875</u>

G. Risk Management

The City of Highland Haven is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2020 were \$1,451.

H. Contracts

The City has contracted with City of Granite Shoals Fire Department to provide firefighting services. The contract is for five years and terminates on September 30, 2022. For the year ended September 30, 2020, the City paid \$80,000 for firefighting services.

The City has contracted with the Marble Falls Emergency Medical Service, Inc. to provide emergency medical services. The contract is for three years and terminates on September 30, 2021. For the year ended September 30, 2020, the City paid \$12,144 for emergency medical services.

The City has contracted with the Sunset Water Utilities to operate and maintain the water system. The contract is for an indefinite term but may be terminated by either party upon sixty days notice. For the year ended September 30, 2020, the City paid \$39,843 for operation and maintenance services for the water system.

The City has a municipal solid waste agreement with Waste Management of Texas, Inc. effective April 1, 2019. The term of the contract is seven years with an automatic two-year extension unless terminated by either party. The City is billed for the solid waste collections services in accordance with the contract. For the year ended September 30, 2020, the City paid \$78,266 to Waste Management of Texas, Inc. for garbage services.

I. Subsequent Events

The City has evaluated subsequent events through February 15, 2021, the date which the financial statements were available to be issued. The City is not aware of any subsequent events that materially impact the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND HAVEN, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 182,581	\$ 182,581	\$ 184,735	\$ 2,154
Franchise Tax	17,300	17,300	18,459	1,159
Licenses and Permits	7,000	7,000	20,687	13,687
Charges for Services	2,735	2,735	2,366	(369)
Investment Earnings	900	900	1,005	105
Contributions & Donations from Private Sources	-	-	3,125	3,125
Other Revenue	1,300	1,300	709	(591)
Total Revenues	211,816	211,816	231,086	19,270
EXPENDITURES:				
Current:				
Financial Administration	187,945	187,945	116,907	71,038
Public Safety	111,644	111,644	100,320	11,324
Public Works	13,000	13,000	-	13,000
Highways and Streets	11,000	11,000	1,090	9,910
Parks	2,240	2,240	1,513	727
Total Expenditures	325,829	325,829	219,830	105,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,013)	(114,013)	11,256	125,269
OTHER FINANCING SOURCES (USES):				
Transfers In	32,875	32,875	32,875	-
Total Other Financing Sources (Uses)	32,875	32,875	32,875	-
Net Change	(81,138)	(81,138)	44,131	125,269
Fund Balance - October 1 (Beginning)	226,543	226,543	226,543	-
Fund Balance - September 30 (Ending)	\$ 145,405	\$ 145,405	\$ 270,674	\$ 125,269

The notes to the financial statements are an integral part of this statement.



# NEFFENDORF & BLOCKER, P.C.

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February 15, 2021

Honorable Mayor and Board of Aldermen  
City of Highland Haven  
Highland Haven, TX

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of City of Highland Haven for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 January 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Highland Haven 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 2020. We noted no transactions entered into by the City of Highland Haven 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. There were no significant accounting estimates.

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. Management has corrected all such misstatements. In addition, 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.

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### *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 February 15, 2021.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Highland Haven'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 of Highland Haven'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 the budgetary comparison schedule- general fund, 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.

### Recommendations

#### *Sales Tax Revenue*

Sales tax revenue collected and paid in the water system fund should not be recorded as revenue and expense. Sales tax is collected and paid to the state and should be recorded as a liability in the water system fund general ledger.

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

Sincerely,

A handwritten signature in blue ink that reads "Neffendorf & Blocker, P.C.".

Neffendorf & Blocker, P.C.  
Fredericksburg, Texas

CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance With	<u>2019</u>
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)	Prior Year Actual GAAP Basis
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ 182,581	\$ 182,581	\$ 184,735	\$ 2,154	\$ 166,314
Franchise Tax	17,300	17,300	18,459	1,159	16,105
Licenses and Permits	7,000	7,000	20,687	13,687	7,605
Intergovernmental Revenue and Grants	-	-	-	-	5,000
Charges for Services	2,735	2,735	2,366	(369)	1,297
Investment Earnings	900	900	1,005	105	1,616
Contributions & Donations from Private	-	-	3,125	3,125	-
Other Revenue	1,300	1,300	709	(591)	523
Total Revenues	211,816	211,816	231,086	19,270	198,460
<b>EXPENDITURES:</b>					
Current:					
Financial Administration	187,945	187,945	116,907	71,038	99,237
Public Safety	111,644	111,644	100,320	11,324	93,220
Public Works	24,000	24,000	1,090	22,910	4,311
Parks	2,240	2,240	1,513	727	307
Total Expenditures	325,829	325,829	219,830	105,999	197,075
Excess (Deficiency) of Revenues Over Expenditures	(114,013)	(114,013)	11,256	125,269	1,385
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	32,875	32,875	32,875	-	20,000
Total Other Financing Sources (Uses)	32,875	32,875	32,875	-	20,000
Change in Fund Balance	(81,138)	(81,138)	44,131	125,269	21,385
Fund Balance - October 1	226,543	226,543	226,543	-	213,825
Prior Period Adjustment	-	-	-	-	(8,667)
Fund Balance - September 30	\$ 145,405	\$ 145,405	\$ 270,674	\$ 125,269	\$ 226,543

CITY OF HIGHLAND HAVEN, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL - WATER UTILITY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With	2019
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)	Prior Year Actual GAAP Basis
OPERATING REVENUES:					
Charges for Services	\$ 212,773	\$ 212,773	\$ 229,951	\$ 17,178	\$ 266,523
Solid Waste Revenue	94,152	94,152	105,753	11,601	266,523
Other Revenue	3,705	3,705	3,594	(111)	3
Total Operating Revenues	310,630	310,630	339,298	28,668	533,049
OPERATING EXPENSES:					
Purchased Professional & Technical Services	33,600	33,600	39,652	(6,052)	36,835
Purchased Property Services	10,000	10,000	11,797	(1,797)	9,998
Other Operating Costs	17,250	17,250	17,956	(706)	50,007
Supplies	18,200	18,200	14,142	4,058	15,419
Solid Waste Expense	76,995	76,995	78,266	(1,271)	15,419
Depreciation	50,000	50,000	44,197	5,803	48,473
Total Operating Expenses	206,045	206,045	206,010	35	176,151
Operating Income (Loss)	104,585	104,585	133,288	28,703	356,898
NON-OPERATING REVENUES (EXPENSES):					
Investment Earnings	400	400	364	(36)	321
Interest Expense - Non-Operating	(16,020)	(16,020)	(22,866)	(6,846)	(24,655)
Total Non-operating Revenue (Expenses)	(15,620)	(15,620)	(22,502)	(6,882)	(24,334)
Income (Loss) Before Transfers	88,965	88,965	110,786	28,703	332,564
Transfers Out (Use)	(32,875)	(32,875)	(32,875)	-	(20,000)
Change in Net Position	56,090	56,090	77,911	21,821	312,564
Net Position - October 1 (Beginning)	325,714	325,714	325,714	-	264,254
Net Position - September 30 (Ending)	\$ 381,804	\$ 381,804	\$ 403,625	\$ 21,821	\$ 576,818