REPORT OF EXAMINATION

CITY OF HIGHLAND HAVEN

Highland Haven, Texas

For the Year Ended
September 30, 2021

CITY OF HIGHLAND HAVEN
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

CITY OF HIGHLAND HAVEN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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NEFFENDORF & BLOCKER, P.C.

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, 2021, 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, 2021, 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 28 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.

Neffendorf + Blocker, P.C.

Neffendorf & Blocker, P.C.
Fredericksburg, Texas

February 8, 2022

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, 2021. 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 $986,891 (net position). Of this amount, $612,279 (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 $150,430 as a result of this year's operations.

- At September 30, 2021, the City's general fund reported an ending fund balance of $314,274, an increase of $43,600 in comparison with the prior year.

- At September 30, 2021, the City's Water Utility Fund reported a total net position of $526,655, an increase of $123,030 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 28.

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 & Solid Waste) 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 $432,836 to $460,236. 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 $314,274 at September 30, 2021. This increase in governmental net position was the result of three factors. First, the City's revenues exceeded the expenditures by $43,600. Second, the City recorded depreciation in the amount of $23,123. Third, the City capitalized a new roof for $7,371.

Net position of the City's business-type activities at September 30, 2021 were $526,655. Unrestricted net position was $298,005. This increase in business-type net position was the result of net income of $123,030.

Table I
City of Highland Haven

NET POSITION

	Governmental Activities	Business Type Activities	TOTAL
Current and Other Assets	$ 334,639	$ 460,535	$ 795,174
Capital Assets	145,962	703,210	849,172
Total Assets	$ 480,601	$ 1,163,745	$ 1,644,346
Deferred Outflow of Resources	$ -	$ 41,420	$ 41,420
Current Liabilities	$ 20,365	$ 163,510	$ 183,875
Long Term Liabilities	-	515,000	515,000
Total Liabilities	$ 20,365	$ 678,510	$ 698,875
Net Position:			
Invested in Capital Assets Net of Related Debt	$ 145,962	$ 128,650	$ 274,612
Restricted	-	100,000	100,000
Unrestricted	314,274	298,005	612,279
Total Net Position	$ 460,236	$ 526,655	$ 986,891

Table II
City of Highland Haven

CHANGES IN NET POSITION

	Governmental Activities	Business Type Activities	TOTAL
Revenues:			
Charges for Services	$ 4,474	$ 350,523	$ 354,997
Operating Grants & Contributions	7,371	-	7,371
Maintenance & Operations Taxes	202,504	-	202,504
Sales Tax	14,859		
Franchise Taxes	28,634	-	28,634
Other Revenues	26,072	4,866	30,938
Total Revenue	$ 283,914	$ 355,389	$ 624,444
Expenses:			
Personnel Services	$ 82,701	$ -	$ 82,701
Administrative & Office	11,346	-	11,346
Street Maintenance & Repair	8,175	-	8,175
Maintenance & Repair	2,234	-	2,234
Professional Services	26,815		26,815
Utilities	3,465		3,465
Charges for Services	12,785		12,785
Membership Fee/Dues	640		640
Public Safety	95,977		95,977
Water Utility	-	73,800	73,800
Solid Waste		82,858	82,858
Depreciation/Amortization	23,123	44,003	67,126
Debt Service	-	20,951	20,951
Total Expenses	$ 267,261	$ 221,612	$ 488,873
Increase in Net Position Before Transfers	$ 16,653	$ 133,777	$ 150,430
Transfers	10,747	(10,747)	-
Net Change	$ 27,400	$ 123,030	$ 150,430
Net Position - Beginning	432,836	403,625	836,461
Net Position - Ending	$ 460,236	$ 526,655	$ 986,891

The cost of all governmental activities this year was $267,261. 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 $202,504 because the other costs were paid by sales tax ($14,859), franchise tax ($28,634), user charges ($4,474), grant contributions ($7,371), interest income ($625) and miscellaneous ($25,447).

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 $314,274, which is more than last year's total of $270,674. The primary reason for the Governmental Fund's increase was due to revenues exceeded expenditures by $43,600.

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 28) has been provided to demonstrate compliance.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2021, 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	336,767	-	336,767
Infrastructure	-	992,409	992,409
Furniture & Equipment	12,824	62,768	75,592
Intangible Assets	-	170,115	170,115
Total Capital Assets	$ 440,756	$ 1,290,526	$ 1,731,282
Accumulated Depreciation/Amortization	294,794	587,316	882,110
Capital Assets, Net	$ 145,962	$ 703,210	$ 849,172

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 $615,000 in certificates of obligation outstanding. During the year ended September 30, 2021, 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 2022 budget and tax rates. Amounts available for appropriation in the General Fund budget are $306,176 and estimated expenditures are $458,177.

If these estimates are realized, the City's budgetary General fund balance is expected to decrease $152,001 by the end of fiscal year 2022.

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

EXHIBIT A-1

CITY OF HIGHLAND HAVEN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 111,507	$ 254,631	$ 366,138
Investments - Current	209,728	161,329	371,057
Accounts Receivable, Net	8,347	33,325	41,672
Due from Other Governments	5,057	-	5,057
Inventories	-	11,250	11,250
Capital Assets:			
Land	46,827	-	46,827
Buildings, Net	19,299	-	19,299
Improvements other than Buildings, Net	76,363	-	76,363
Furniture and Equipment, Net	3,473	-	3,473
Capital Assets, Net	-	642,774	642,774
Other Assets	-	60,436	60,436
Total Assets	480,601	1,163,745	1,644,346
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	-	41,420	41,420
Total Deferred Outflows of Resources	-	41,420	41,420
LIABILITIES			
Accounts Payable	1,350	6,873	8,223
Wages and Salaries Payable	1,216	-	1,216
Intergovernmental Payable	-	772	772
Accrued Interest Payable	-	980	980
Unearned Revenues	629	54,885	55,514
Other Current Liabilities	17,170	-	17,170
Noncurrent Liabilities:			
Debt Due Within One Year	-	100,000	100,000
Due in More Than One Year:			
Bonds Payable - Noncurrent	-	515,000	515,000
Total Liabilities	20,365	678,510	698,875
NET POSITION			
Net Investment in Capital Assets	145,962	128,650	274,612
Restricted for Debt Service	-	100,000	100,000
Unrestricted	314,274	298,005	612,279
Total Net Position	$ 460,236	$ 526,655	$ 986,891

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
$ (81,901)	$ -	$ (81,901)
(10,704)	-	(10,704)
(804)	-	(804)
(2,234)	-	(2,234)
(26,815)	-	(26,815)
(3,465)	-	(3,465)
(9,753)	-	(9,753)
(640)	-	(640)
(95,977)	-	(95,977)
(23,123)	-	(23,123)
(255,416)	-	(255,416)
-	95,016	95,016
-	33,895	33,895
-	128,911	128,911
(255,416)	128,911	(126,505)
202,504	-	202,504
14,859	-	14,859
28,634	-	28,634
596	-	596
24,851	4,473	29,324
625	393	1,018
10,747	(10,747)	-
282,816	(5,881)	276,935
27,400	123,030	150,430
432,836	403,625	836,461
$ 460,236	$ 526,655	$ 986,891

EXHIBIT C-1

CITY OF HIGHLAND HAVEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund
ASSETS	
Cash and Cash Equivalents	$ 111,507
Investments - Current	209,728
Accounts Receivable, Net	8,347
Due from Other Governments	5,057
Total Assets	$ 334,639
LIABILITIES	
Accounts Payable	$ 1,350
Wages and Salaries Payable	1,216
Unearned Revenues	629
Other Current Liabilities	17,170
Total Liabilities	20,365
FUND BALANCE	
Unassigned Fund Balance	314,274
Total Fund Balance	314,274
Total Liabilities and Fund Balance	$ 334,639

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

EXHIBIT C-2

CITY OF HIGHLAND HAVEN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	$	314,274
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.		161,714
Current year capital outlays are expenditures in the fund financial statements,but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2021 capital outlays is to increase net position.		7,371
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(23,123)
Net Position of Governmental Activities	$	460,236

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

EXHIBIT C-3

CITY OF HIGHLAND HAVEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund
REVENUES:	
Taxes:	
Property Taxes	$ 203,548
General Sales and Use Taxes	14,859
Franchise Tax	28,634
Licenses and Permits	20,501
Intergovernmental Revenue and Grants	7,371
Charges for Services	4,474
Investment Earnings	625
Other Revenue	4,350
Total Revenues	284,362
EXPENDITURES:	
Personnel Services	82,701
Administrative & Office	11,346
Street Maintenance & Repair	8,175
Maintenance & Repair	9,605
Professional Services	26,815
Utilities	3,465
Charges for Services	12,785
Membership Fee/ Dues	640
Public Safety	95,977
Total Expenditures	251,509
Excess of Revenues Over Expenditures	32,853
OTHER FINANCING SOURCES (USES):	
Transfers In	12,000
Transfers Out	(1,253)
Total Other Financing Sources (Uses)	10,747
Net Change in Fund Balance	43,600
Fund Balance - October 1 (Beginning)	270,674
Fund Balance - September 30 (Ending)	$ 314,274

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

EXHIBIT C-4

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, 2021

Total Net Change in Fund Balances - Governmental Funds	$	43,600
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2021 capital outlays is to increase the change in net position.		7,371
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.		(23,123)
An elimination adjustment is necessary to convert from modified accrual basis of accounting to accrual basis of accounting. Current year revenue must be adjusted for revenue earned from prior year levies. The net effect of this elimination is to decrease net position.		(448)
Change in Net Position of Governmental Activities	$	27,400

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

EXHIBIT D-1

CITY OF HIGHLAND HAVEN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water Utility Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 221,490	$ 33,141	$ 254,631
Investments - Current	161,329	-	161,329
Accounts Receivable, Net	24,059	9,266	33,325
Inventories	11,250	-	11,250
Total Current Assets	418,128	42,407	460,535
Noncurrent Assets:			
Capital Assets:			
Capital Assets	1,120,411	-	1,120,411
Accumulated Depreciation - Capital Assets	(477,637)	-	(477,637)
Other Assets	60,436	-	60,436
Total Noncurrent Assets	703,210	-	703,210
Total Assets	1,121,338	42,407	1,163,745
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	41,420	-	41,420
Total Deferred Outflows of Resources	41,420	-	41,420
LIABILITIES			
Current Liabilities:			
Accounts Payable	91	6,782	6,873
Intergovernmental Payable	-	772	772
Accrued Interest Payable	980	-	980
Unearned Revenues	54,885	-	54,885
Bonds Payable - Current	100,000	-	100,000
Total Current Liabilities	155,956	7,554	163,510
Noncurrent Liabilities:			
Bonds Payable - Noncurrent	515,000	-	515,000
Total Noncurrent Liabilities	515,000	-	515,000
Total Liabilities	670,956	7,554	678,510
NET POSITION			
Net Investment in Capital Assets	128,650	-	128,650
Restricted for Debt Service	100,000	-	100,000
Unrestricted	263,152	34,853	298,005
Total Net Position	$ 491,802	$ 34,853	$ 526,655

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

EXHIBIT D-2

CITY OF HIGHLAND HAVEN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water Utility Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	$ 233,770	$ 116,753	$ 350,523
Other Revenue	346	4,127	4,473
Total Operating Revenues	234,116	120,880	354,996
OPERATING EXPENSES:			
Professional & Technical Services	30,000	82,858	112,858
Property Services	15,970	-	15,970
Other Operating Expenses	14,288	-	14,288
Supplies	13,542	-	13,542
Depreciation	44,003	-	44,003
Total Operating Expenses	117,803	82,858	200,661
Operating Income	116,313	38,022	154,335
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	368	25	393
Interest Expense - Nonoperating	(20,951)	-	(20,951)
Total Nonoperating Revenue (Expenses)	(20,583)	25	(20,558)
Income Before Transfers	95,730	38,047	133,777
Nonoperating Transfers In	1,253	-	1,253
Transfers Out	-	(12,000)	(12,000)
Change in Net Position	96,983	26,047	123,030
Total Net Position - October 1 (Beginning)	394,819	8,806	403,625
Total Net Position - September 30 (Ending)	$ 491,802	$ 34,853	$ 526,655

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

EXHIBIT D-3

CITY OF HIGHLAND HAVEN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water Utility Fund	Solid Waste Fund	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash Received from User Charges	$ 216,869	$ 112,684	$ 329,553
Cash Payments for Suppliers	(13,542)	-	(13,542)
Cash Payments for Other Operating Expenses	(60,639)	(83,007)	(143,646)
Net Cash Provided by Operating Activities	142,688	29,677	172,365
Cash Flows from Non-Capital Financing Activities:			
Operating Transfer Out	1,253	(12,000)	(10,747)
Cash Flows from Capital and Related Financing Activities:			
Grants Contributed	54,885	-	54,885
Interest Paid	(14,103)	-	(14,103)
Principal Paid- Bonds	(95,000)	-	(95,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(54,218)	-	(54,218)
Cash Flows from Investing Activities:			
Interest on Investments	368	25	393
Net Increase in Cash and Cash Equivalents	90,091	17,702	107,793
Cash and Cash Equivalents at the Beginning of the Year	292,728	15,439	308,167
Cash and Cash Equivalents at the End of the Year	$ 382,819	$ 33,141	$ 415,960
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating Income	$ 116,313	$ 38,022	$ 154,335
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	44,003	-	44,003
Effect of Increases and Decreases in Current Assets and Liabilities:			
Increase in Receivables	2,753	(8,494)	(5,741)
Decrease in Accounts Payable	(381)	149	(232)
Decrease in Due to Other Fund	(20,000)	-	(20,000)
Net Cash Provided by Operating Activities	$ 142,688	$ 29,677	$ 172,365

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain as due to/due froms on the government-wide Statement of Activities.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenue and expenses are nonoperating.

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 and Solid Waste Fund are operated as Enterprise Funds.

The Proprietary Funds are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

E. Other Accounting Policies

1. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

   In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

3. Accounting receivable from other governments include sales tax. Sales tax is recorded as a receivable and revenues at the time the sales tax is earned.

   Revenues for services performed are recorded as receivable and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts, and billable services for the City's water utilities and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

4. 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:

Assets	Years
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.

5. 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.

6. 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.

7. <u>Fund Equity</u>

   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).

8. 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, 2021, the carrying amount of the City's deposits was $366,138 and the bank balance was $383,788. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021 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:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
Money Market Account-				
First United Bank -General	$ 105,227	$ 105,227	$ 105,227	$ -
American Bank Commerce- General	103,400	103,400	103,400	-
Anthem Bank- Water Fund	160,076	160,076	160,076	-
Liquid Asset Portfolio -				
Texpool - General	2,354	2,354	*	*
Total Temporary Investments	$ 371,057	$ 371,057	$ 368,703	$ -

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, 2021, TexPool had a weighted average maturity of 37 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, 2021 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 2020 tax roll, the City of Highland Haven had property with an assessed valuation of $153,145,931. The tax rate was $0.1321 per $100 valuation (general fund only).

C. Capital Asset Activity

Capital asset activity for the governmental activities for the year ended September 30, 2021, 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		(15,207)	12,824
Improvements	329,396	7,371		336,767
Totals at Historic Cost	$ 448,592	$ 7,371	$ (15,207)	$ 440,756
Less Accumulated Depreciation For:				
Buildings	(22,812)	(2,227)		(25,039)
Furniture & Equipment	(23,400)	(1,158)	15,207	(9,351)
Improvements	(240,666)	(19,738)		(260,404)
Total Accumulated Depreciation	$ (286,878)	$ (23,123)	$ 15,207	$ (294,794)
Governmental Activities Capital Assets, Net	$ 161,714	$ (15,752)	$ -	$ 145,962

D. Property, Plant and Equipment – Enterprise Fund

Changes in the Enterprise (Water & Solid Waste) Fund for the year ended September 30, 2021, 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	$ (442,587)	$ (35,049)	$	$ (477,636)
Accumulated Amortization	(100,726)	(8,953)		(109,679)
FIXED ASSETS, NET	$ 747,213	$ (44,003)	$ -	$ 703,210

E. Certificates of Obligation – Series 2016

A summary of long-term debt follows:

	Outstanding 10/1/2020	Issued	Retired	Outstanding 9/30/2021	Due Within One Year
Certificates of Obligation-Series 2016	$ 710,000	$ -	$ 95,000	$ 615,000	$ 100,000

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, 2021 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
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	105,000	4,179	109,179
2027	105,000	2,090	107,090
Totals	$ 615,000	$ 43,285	$ 658,285

F. During the year ended September 30, 2021, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	$ 12,000	$ 1,253
Water Utility Fund	1,253	
Solid Waste Fund		12,000
Totals	$ 13,253	$ 13,253

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, 2021 were $1,947.

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, 2021, the City paid $82,500 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, 2021, the City paid $12,751 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, 2021, the City paid $47,609 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, 2021, the City paid $82,696.

I. Sales Tax Election

In a special election on November 3, 2020, the City voters approved the adoption of a sales and use tax at a rate of two percent. For the fiscal year ended September 30, 2021, the City collected $14,859 in sales tax.

J. Subsequent Events

The City has evaluated subsequent events through February 8, 2022, 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

EXHIBIT G-1

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, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	$ 199,849	$ 199,849	$ 203,548	$ 3,699
General Sales and Use Taxes	-	-	14,859	14,859
Franchise Tax	17,150	17,150	28,634	11,484
Licenses and Permits	10,000	6,000	20,501	14,501
Intergovernmental Revenue and Grants	-	-	7,371	7,371
Charges for Services	8,820	8,820	4,474	(4,346)
Investment Earnings	1,000	1,000	625	(375)
Other Revenue	5,700	5,700	4,350	(1,350)
Total Revenues	242,519	238,519	284,362	45,843
EXPENDITURES:				
Current:				
Personnel Services:				
Personnel Services	103,618	103,618	82,701	20,917
Administrative & Office	13,350	12,350	11,346	1,004
Street Maintenance & Repair	11,000	11,000	8,175	2,825
Maintenance & Repair	20,500	23,500	9,605	13,895
Professional Services	40,275	38,275	26,815	11,460
Utilities	4,100	3,200	3,465	(265)
Charges for Services	19,641	15,341	12,785	2,556
Membership Fee/ Dues	900	900	640	260
Public Safety	97,751	97,751	95,977	1,774
Total Expenditures	311,135	305,935	251,509	54,426
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,616)	(67,416)	32,853	100,269
OTHER FINANCING SOURCES (USES):				
Transfers In	32,000	32,000	12,000	(20,000)
Transfers Out	-	-	(1,253)	(1,253)
Total Other Financing Sources (Uses)	32,000	32,000	10,747	(21,253)
Net Change	(36,616)	(35,416)	43,600	79,016
Fund Balance - October 1 (Beginning)	270,674	270,674	270,674	-
Fund Balance - September 30 (Ending)	$ 234,058	$ 235,258	$ 314,274	$ 79,016

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

EXHIBIT G-2

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, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING REVENUES:				
Charges for Services	$ 231,500	$ 231,500	$ 233,770	$ 2,270
Other Revenue	200	200	346	146
Total Operating Revenues	231,700	231,700	234,116	2,416
OPERATING EXPENSES:				
Professional & Technical Services	32,000	32,000	30,000	2,000
Property Services	60,000	60,000	15,970	44,030
Other Operating Expenses	18,350	18,350	14,288	4,062
Supplies	18,500	18,500	13,542	4,958
Depreciation	-	-	44,003	(44,003)
Debt Service	102,100	102,100	-	102,100
Total Operating Expenses	230,950	230,950	117,803	113,147
Operating Income (Loss)	750	750	116,313	115,563
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	300	300	368	68
Interest Expense- Nonoperating	(7,100)	(7,100)	(20,951)	(13,851)
Total Non-operating Revenue (Expenses)	(6,800)	(6,800)	(20,583)	(13,783)
Income (Loss) Before Transfers	(6,050)	(6,050)	95,730	101,780
Transfers In	-	-	1,253	1,253
Transfers Out	(20,000)	(20,000)	-	20,000
Change in Net Position	(26,050)	(26,050)	96,983	123,033
Net Position - October 1 (Beginning)	394,819	394,819	394,819	-
Net Position - September 30 (Ending)	$ 368,769	$ 368,769	$ 491,802	$ 123,033

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

EXHIBIT G-3

CITY OF HIGHLAND HAVEN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	GAAP BASIS (See Note)	Positive or (Negative)
OPERATING REVENUES:				
Charges for Services	$ 100,500	$ 100,500	$ 116,753	$ 16,253
Other Revenue	10,375	10,375	4,127	(6,248)
Total Operating Revenues	110,875	110,875	120,880	10,005
OPERATING EXPENSES:				
Professional & Technical Services	83,100	83,100	82,858	242
Other Operating Expenses	6,375	6,375	-	6,375
Total Operating Expenses	89,475	89,475	82,858	6,617
Operating Income (Loss)	21,400	21,400	38,022	16,622
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	100	100	25	(75)
Total Non-operating Revenue (Expenses)	100	100	25	(75)
Income (Loss) Before Transfers	21,500	21,500	38,047	16,547
Transfers Out	(12,000)	(12,000)	(12,000)	-
Change in Net Position	9,500	9,500	26,047	16,547
Net Position - October 1 (Beginning)	8,806	8,806	8,806	-
Net Position - September 30 (Ending)	$ 18,306	$ 18,306	$ 34,853	$ 16,547

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

NEFFENDORF & BLOCKER, P.C.

February 8, 2022

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, 2021. 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 November 22, 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 2021. 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 8, 2022.

Management Consultations with Other Independent Accountants

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

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,

Neffendorf & Blocker, P.C.

Neffendorf & Blocker, P.C.
Fredericksburg, Texas