

REPORT OF EXAMINATION

**CITY OF
HIGHLAND HAVEN**

Highland Haven, Texas

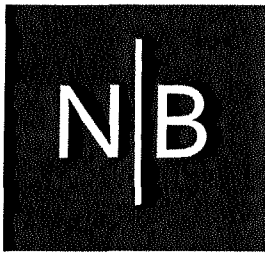
For the Year Ended
September 30, 2024

CITY OF HIGHLAND HAVEN
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2024

CITY OF HIGHLAND HAVEN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Haven, Texas as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Highland Haven, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Haven, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer contributions and the schedule of changes in total OPEB liability and related ratios on pages 4-8 and 36-42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Haven, Texas' basis financial statements. The business-type budgetary comparison information on pages 43 and 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the business-type budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2025, on our consideration of the City of Highland Haven, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Highland Haven, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Highland Haven, Texas's internal control over financial reporting and compliance.

Neffendorf & Blocker, P.C.

Neffendorf & Blocker, P.C.
Fredericksburg, Texas

March 3, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Haven, Texas 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, 2024. 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 9.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,733,062 (net position). Of this amount, \$962,184 (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 \$248,930 as a result of this year's operations.
- At September 30, 2024, the City's general fund reported an ending fund balance of \$670,530, an increase of \$18,081 in comparison with the prior year.
- At September 30, 2024, the City's business-type activities reported a total net position of \$1,000,624, an increase of \$231,489 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 9 and 10). 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 12 and 14) 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 19) 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 36.

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 9. 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 \$714,997 to \$732,438. 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 \$676,413 at September 30, 2024. This increase in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by \$18,081. Second, the City recorded depreciation in the amount of \$19,829 and acquired capital assets in the amount of \$14,093. Third, the recognition of revenue earned in the current year's levy in the amount of \$5,158. Fourth, due to the entries required by GASB Statement No. 68 a decrease in expenses was necessary in the amount of \$2,747. Fifth, due to the entries required by GASB Statement No. 75 an increase in expenses was necessary in the amount of \$2,022.

Net position of the City's business-type activities at September 30, 2024 were \$1,000,624. Unrestricted net position was \$285,771. This increase in business-type net position was the result of net income of \$231,489.

Table I
City of Highland Haven

NET POSITION

	Governmental Activities		Business-Type Activities		TOTALS	
					Primary Government	
	2024	2023	2024	2023	2024	2023
Current and Restricted Assets	\$ 706,983	\$ 674,214	\$ 352,444	\$ 561,782	\$ 1,059,427	\$ 1,235,996
Capital Assets	56,025	61,761	1,009,433	664,252	1,065,458	726,013
Total Assets	\$ 763,008	\$ 735,975	\$ 1,361,877	\$ 1,226,034	\$ 2,124,885	\$ 1,962,009
Deferred Outflow of Resources						
Deferred Outflow Related to Refunding	\$ -	\$ -	\$ 20,420	\$ 27,420	\$ 20,420	\$ 27,420
Deferred Outflow Related to Pension	11,651	-	-	-	-	-
Deferred Outflow Related to OPEB	149	-	-	-	-	-
Total Deferred Outflows of Resources	\$ 11,800	\$ -	\$ 20,420	\$ 27,420	\$ 20,420	\$ 27,420
Long-Term Liabilities	\$ 10,655	\$ -	\$ 315,000	\$ 315,000	\$ 325,655	\$ 315,000
Other Liabilities	31,295	20,978	66,674	169,319	97,969	190,297
Total Liabilities	\$ 41,950	\$ 20,978	\$ 381,674	\$ 484,319	\$ 423,624	\$ 505,297
Net Position:						
Net Investment in Capital Assets	\$ 56,025	\$ 61,761	\$ 714,853	\$ 206,721	\$ 770,878	\$ 268,482
Restricted	-	-	-	100,000	-	100,000
Unrestricted	676,413	653,236	285,771	462,414	962,184	1,115,650
Total Net Position	\$ 732,438	\$ 714,997	\$ 1,000,624	\$ 769,135	\$ 1,733,062	\$ 1,484,132

Table II
City of Highland Haven

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for Services	\$ 47,529	\$ 28,964	\$ 372,867	\$ 384,521	\$ 420,396	\$ 413,485
Grants & Contributions	-	400	60,938	-	60,938	400
General Revenues:						
Maintenance & Operations Taxes	303,704	251,149	-	-	303,704	251,149
Sales Tax	37,702	32,045	-	-	37,702	32,045
Franchise Taxes	28,033	31,160	-	-	28,033	31,160
Other Revenues	32,938	18,539	18,873	16,553	51,811	35,092
Total Revenue	\$ 449,906	\$ 362,257	\$ 452,678	\$ 401,074	\$ 902,584	\$ 763,331
Expenses:						
Personnel Services	\$ 206,506	\$ 139,106	\$ -	\$ -	\$ 206,506	\$ 139,106
Administrative & Office	8,501	10,502	-	-	8,501	10,502
Street Maintenance & Repair	3,879	152	-	-	3,879	152
Maintenance & Repair	4,127	545	-	-	4,127	545
Professional Services	35,921	23,729	-	-	35,921	23,729
Utilities	7,411	5,914	-	-	7,411	5,914
Charges for Services	18,732	10,924	-	-	18,732	10,924
Membership Fee/Dues	1,226	1,182	-	-	1,226	1,182
Public Safety	103,333	100,755	-	-	103,333	100,755
Water Utility	-	-	85,373	89,895	85,373	-
Solid Waste	-	-	99,716	95,432	99,716	95,432
Depreciation/Amortization	19,829	20,838	44,003	44,003	63,832	64,841
Debt Service	-	-	15,097	17,058	15,097	17,058
Total Expenses	\$ 409,465	\$ 313,647	\$ 244,189	\$ 246,388	\$ 653,654	\$ 470,140
Increase (Decrease) in Net Position						
Before Transfers & Capital Contributions	\$ 40,441	\$ 48,610	\$ 208,489	\$ 154,686	\$ 248,930	\$ 203,296
Capital Contributions	-	-	-	49,048	-	49,048
Transfers	(23,000)	77,000	23,000	(77,000)	-	-
Net Change	17,441	125,610	231,489	126,734	248,930	252,344
Net Position - Beginning	714,997	589,387	769,135	642,401	1,484,132	1,231,788
Net Position - Ending	\$ 732,438	\$ 714,997	\$ 1,000,624	\$ 769,135	\$ 1,733,062	\$ 1,484,132

The cost of all governmental activities this year was \$409,465. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities with City taxes was \$303,704 because the other costs were paid by sales tax (\$37,702), franchise tax (\$28,033), user charges (\$47,529), interest income (\$30,624) and miscellaneous income (\$973).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a fund balance of \$670,530, which is more than last year's total of \$652,449. The primary reason for the Governmental Fund's increase was due to revenues that exceeded expenditures by \$18,081.

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 36) has been provided to demonstrate compliance.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2024, the City had the following amounts invested in capital assets:

	Governmental	Business	
	Activities	Type	
	Activities	Activities	TOTAL
Land	\$ 1,155	\$ 20,000	\$ 21,155
Buildings	44,338	45,234	89,572
Improvements	336,767	-	336,767
Infrastructure	-	992,409	992,409
Furniture & Equipment	30,916	62,768	93,684
Intangible Assets	-	170,115	170,115
Construction in Progress	-	438,232	438,232
Total Capital Assets	\$ 413,176	\$ 1,728,758	\$ 2,141,934
Accumulated Depreciation/Amortization	357,151	719,324	1,076,475
Capital Assets, Net	\$ 56,025	\$ 1,009,434	\$ 1,065,459

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 \$315,000 in certificates of obligation outstanding. During the year ended September 30, 2024, the City paid \$100,000 in 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 2025 budget and tax rates. Amounts available for appropriation in the General Fund budget are \$536,156 (including a transfer from the business-type activities in the amount of \$101,979) and estimated expenditures are \$533,277.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by \$2,879 by the end of fiscal year 2025.

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, 2024

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 132,633	\$ 267,708	\$ 400,341
Investments - Current	554,637	35,935	590,572
Accounts Receivable, Net	19,713	37,551	57,264
Inventories	-	11,250	11,250
Capital Assets:			
Land	1,155	20,000	21,155
Infrastructure, Net	-	487,934	487,934
Buildings, Net	12,618	27,832	40,450
Improvements other than Buildings, Net	27,667	-	27,667
Furniture and Equipment, Net	14,585	1,860	16,445
Intangible Assets, Net	-	33,576	33,576
Construction in Progress	-	438,232	438,232
Total Assets	<u>763,008</u>	<u>1,361,878</u>	<u>2,124,886</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	-	20,420	20,420
Deferred Outflow Related to Pension Plan	11,651	-	11,651
Deferred Outflow Related to OPEB	149	-	149
Total Deferred Outflows of Resources	<u>11,800</u>	<u>20,420</u>	<u>32,220</u>
LIABILITIES			
Accounts Payable	130	9,764	9,894
Wages and Salaries Payable	18,015	-	18,015
Retainage Payable	-	38,220	38,220
Intergovernmental Payable	-	904	904
Accrued Interest Payable	-	502	502
Unearned Revenues	-	17,284	17,284
Other Current Liabilities	13,150	-	13,150
Noncurrent Liabilities:			
Due Within One Year	-	105,000	105,000
Due in More Than One Year:			
Bonds Payable - Noncurrent	-	210,000	210,000
Net Pension Liability	8,484	-	8,484
Net OPEB Liability	2,171	-	2,171
Total Liabilities	<u>41,950</u>	<u>381,674</u>	<u>423,624</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	420	-	420
Total Deferred Inflows of Resources	<u>420</u>	<u>-</u>	<u>420</u>
NET POSITION			
Net Investment in Capital Assets and Lease Assets	56,025	714,853	770,878
Unrestricted	676,413	285,771	962,184
Total Net Position	<u>\$ 732,438</u>	<u>\$ 1,000,624</u>	<u>\$ 1,733,062</u>

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, 2024

		Program Revenues	
		Charges for Services	Capital Grants and Contributions
	Expenses		
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Personnel Services	\$ 206,506	\$ -	\$ -
Administrative & Office	8,501	-	-
Street Maintenance & Repair	3,879	-	-
Maintenance & Repair	4,127	-	-
Professional Services	35,921	42,035	-
Utilities	7,411	-	-
Charges for Services	18,732	5,494	-
Membership Fee/ Dues	1,226	-	-
Public Safety	103,333	-	-
Depreciation	19,829	-	-
Total Governmental Activities	409,465	47,529	-
BUSINESS-TYPE ACTIVITIES:			
Solid Waste Fund	99,716	129,106	-
Water Utility Fund	144,473	243,761	60,938
Total Business-Type Activities	244,189	372,867	60,938
TOTAL PRIMARY GOVERNMENT	\$ 653,654	\$ 420,396	\$ 60,938

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

General Sales and Use Taxes

Franchise Tax

Penalty and Interest on Taxes

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
\$ (206,506)	\$ -	\$ (206,506)
(8,501)	-	(8,501)
(3,879)	-	(3,879)
(4,127)	-	(4,127)
6,114	-	6,114
(7,411)	-	(7,411)
(13,238)	-	(13,238)
(1,226)	-	(1,226)
(103,333)	-	(103,333)
(19,829)	-	(19,829)
(361,936)	-	(361,936)
-	29,390	29,390
-	160,226	160,226
-	189,616	189,616
(361,936)	189,616	(172,320)
303,704	-	303,704
37,702	-	37,702
28,033	-	28,033
1,341	-	1,341
973	5,025	5,998
30,624	13,848	44,472
(23,000)	23,000	-
379,377	41,873	421,250
17,441	231,489	248,930
714,997	769,135	1,484,132
\$ 732,438	\$ 1,000,624	\$ 1,733,062

CITY OF HIGHLAND HAVEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

EXHIBIT C-1

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 132,633
Investments - Current	554,637
Taxes Receivable	5,158
Accounts Receivable, Net	14,555
	<hr/>
Total Assets	\$ 706,983
	<hr/>
LIABILITIES	
Accounts Payable	\$ 130
Wages and Salaries Payable	18,015
Other Current Liabilities	13,150
	<hr/>
Total Liabilities	31,295
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	5,158
	<hr/>
Total Deferred Inflows of Resources	5,158
	<hr/>
FUND BALANCE	
Unassigned Fund Balance	670,530
	<hr/>
Total Fund Balance	670,530
	<hr/>
Total Liabilities, Deferred Inflows & Fund Balance	\$ 706,983
	<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, 2024

Total Fund Balances - Governmental Funds	\$ 670,530
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	61,761
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 2024 capital outlays is to increase net position.	14,093
The City is required under GASB Statement No. 68 to report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a deferred resource outflow of \$11,651, a net pension liability of \$8,484, a deferred resource inflow of \$420. The net effect of these was to increase net position \$2,747.	2,747
The City is required under GASB Statement No. 75 to report their OPEB benefits plan through TMRS. The requirement resulted in a deferred outflow of \$149 and an OPEB liability of \$2,171. The net effect of these was to decrease net position by \$2,022.	(2,022)
The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(19,829)
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 eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.	5,158
Net Position of Governmental Activities	\$ 732,438

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, 2024

EXHIBIT C-3

	General Fund
<hr/>	
REVENUES:	
Taxes:	
Property Taxes	\$ 300,674
General Sales and Use Taxes	37,702
Franchise Tax	28,033
Licenses and Permits	36,860
Charges for Services	5,494
Forfeits	5,175
Investment Earnings	30,624
Other Revenue	973
Total Revenues	<hr/> 445,535 <hr/>
EXPENDITURES:	
Current:	
Personnel Services:	
Personnel Services	207,231
Administrative & Office	8,501
Street Maintenance & Repair	3,879
Maintenance & Repair	13,085
Professional Services	35,921
Utilities	7,411
Charges for Services	18,732
Membership Fee/ Dues	1,226
Public Safety	103,333
Capital Outlay:	
Capital Outlay	5,135
Total Expenditures	<hr/> 404,454 <hr/>
Excess of Revenues Over Expenditures	<hr/> 41,081 <hr/>
OTHER FINANCING SOURCES (USES):	
Transfers In	77,000
Transfers Out	(100,000)
Total Other Financing Sources (Uses)	<hr/> (23,000) <hr/>
Net Change in Fund Balance	18,081
Fund Balance - October 1 (Beginning)	<hr/> 652,449 <hr/>
Fund Balance - September 30 (Ending)	<hr/> \$ 670,530 <hr/>

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, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ 18,081
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 effect of removing the 2024 capital outlays is to increase the change in net position.	14,093
The entries required by GASB Statement No. 68 did require that some expenses on Exhibit B-1 be adjusted. The net effect on the change in net position on Exhibit B-1 is an increase of \$2,747.	2,747
The requirement of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.	(2,022)
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.	(19,829)
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, adjusting current year revenue to show the revenue earned from the current year's tax levy and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase the change in net position.	4,371
Change in Net Position of Governmental Activities	\$ 17,441

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, 2024

	Business-Type Activities - Enterprise Funds		
	Solid Waste Utility	Water Utility Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 81,051	\$ 186,657	\$ 267,708
Investments - Current	-	35,935	35,935
Accounts Receivable, Net	12,076	25,475	37,551
Inventories	-	11,250	11,250
Total Current Assets	93,127	259,317	352,444
Noncurrent Assets:			
Capital Assets:			
Land	-	20,000	20,000
Infrastructure	-	992,409	992,409
Buildings	-	45,234	45,234
Furniture and Equipment	-	62,768	62,768
Accumulated Depreciation	-	(582,787)	(582,787)
Intangible Assets	-	170,115	170,115
Accumulated Amortization	-	(136,537)	(136,537)
Construction in Progress	-	438,232	438,232
Total Noncurrent Assets	-	1,009,434	1,009,434
Total Assets	93,127	1,268,751	1,361,878
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	-	20,420	20,420
Total Deferred Outflows of Resources	-	20,420	20,420
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,443	1,321	9,764
Retainage Payable	-	38,220	38,220
Intergovernmental Payable	904	-	904
Accrued Interest Payable	-	502	502
Unearned Revenues	-	17,284	17,284
Bonds Payable - Current	-	105,000	105,000
Total Current Liabilities	9,347	162,327	171,674
Noncurrent Liabilities:			
Bonds Payable - Noncurrent	-	210,000	210,000
Total Noncurrent Liabilities	-	210,000	210,000
Total Liabilities	9,347	372,327	381,674
NET POSITION			
Net Investment in Capital Assets	-	714,853	714,853
Unrestricted	83,780	201,991	285,771
Total Net Position	\$ 83,780	\$ 916,844	\$ 1,000,624

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, 2024

	Business-Type Activities - Enterprise Funds		
	Solid Waste Utility	Water Utility Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 129,106	\$ 243,761	\$ 372,867
Rents and Royalties	4,980	-	4,980
Other Revenue	-	45	45
Total Operating Revenues	134,086	243,806	377,892
OPERATING EXPENSES:			
Purchased Professional & Technical Services	99,606	37,486	137,092
Purchased Property Services	110	2,321	2,431
Other Operating Costs	-	45,158	45,158
Supplies	-	409	409
Depreciation	-	44,002	44,002
Total Operating Expenses	99,716	129,376	229,092
Operating Income	34,370	114,430	148,800
NONOPERATING REVENUES (EXPENSES):			
Grants	-	60,938	60,938
Investment Earnings	74	13,774	13,848
Interest Expense - Nonoperating	-	(15,097)	(15,097)
Total Nonoperating Revenue (Expenses)	74	59,615	59,689
Income Before Transfers	34,444	174,045	208,489
Nonoperating Transfers In	-	100,000	100,000
Transfers Out	(15,000)	(62,000)	(77,000)
Change in Net Position	19,444	212,045	231,489
Total Net Position - October 1 (Beginning)	64,336	704,799	769,135
Total Net Position - September 30 (Ending)	\$ 83,780	\$ 916,844	\$ 1,000,624

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, 2024

EXHIBIT D-3

	Business-Type Activities		
	Solid Waste Utility	Water Utility Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 127,280	\$ 260,656	\$ 387,936
Cash Received from Assessments - Other Funds	4,980	45	5,025
Cash Payments for Suppliers	-	(409)	(409)
Cash Payments for Other Operating Expenses	(98,000)	(83,736)	(181,736)
Net Cash Provided by Operating Activities	34,260	176,556	210,816
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out/Transfer In	(15,000)	38,000	23,000
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	-	(389,184)	(389,184)
Increase in Retainage Payable	-	38,220	38,220
Principal Paid- Bonds	-	(100,000)	(100,000)
Interest Paid	-	(8,253)	(8,253)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(459,217)	(459,217)
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	74	13,774	13,848
Net Increase (Decrease) in Cash and Cash Equivalents	19,333	(230,886)	(211,553)
Cash and Cash Equivalents at Beginning of Year	61,717	453,479	515,196
Cash and Cash Equivalents at End of Year	\$ 81,050	\$ 222,593	\$ 303,643
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$ 34,370	\$ 114,430	\$ 148,800
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	-	44,002	44,002
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(1,826)	(389)	(2,215)
Increase (Decrease) in Accounts Payable	1,715	1,230	2,945
Increase (Decrease) in Unearned Revenue	-	17,284	17,284
Net Cash Provided by Operating Activities	\$ 34,259	\$ 176,557	\$ 210,816

The accompanying notes are an integral part of this statement.

CITY OF HIGHLAND HAVEN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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:

<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.

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. Fund Equity

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" 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. Board of Alderman). 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 Board of Alderman or by an official or body to which the Board of Alderman delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Alderman 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 Board of Alderman 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.

9. Deferred Inflows/ Deferred Outflows

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues that are not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

10. Pensions. For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized

when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Post-Employment Benefits. GASB 75 requires the recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund.

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, 2024, the carrying amount of the City's deposits was \$400,341 and the bank balance was \$415,365. The City's cash deposits at September 30, 2024 and during the year ended September 30, 2024 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
<u>Liquid Asset Portfolio -</u>				
TexPool - General Fund	554,637	554,637	*	*
Texpool - Water Utility Fund	35,935	35,935	*	*
Total Temporary Investments	\$ 590,572	\$ 590,572	\$ -	\$ -

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, 2024, TexPool had a weighted average maturity of 31 days and a net asset value of \$1.00000. 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, 2024 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 2023 tax roll, the City of Highland Haven had property with an assessed valuation of \$240,738,120. The tax rate was \$0.1260 per \$100 valuation (general fund only).

C. Capital Asset Activity

Capital asset activity for the governmental activities for the year ended September 30, 2024, was as follows:

	Primary Government			
Governmental Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 1,155	\$	\$	\$ 1,155
Building	44,338			44,338
Furniture & Equipment	16,824	14,093		30,917
Improvements	336,767			336,767
Total at Historic Cost	\$ 399,084	\$ 14,093	\$ -	\$ 413,177
Less Accumulated Deprecation For:				
Building	(29,492)	(2,227)		(31,719)
Furniture & Equipment	(12,955)	(3,377)		(16,331)
Improvements	(294,876)	(14,226)		(309,102)
Total Accumulated Depreciation	(337,323)	(19,829)	-	(357,152)
Governmental Activities Capital Assets, Net	\$ 61,761	\$ (5,736)	\$ -	\$ 56,025

D. Property, Plant and Equipment – Enterprise Fund

Changes in the Enterprise (Water & Solid Waste) Fund for the year ended September 30, 2024, 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
Construction in Progress	49,048	389,184	-	438,232
TOTAL ASSETS	\$ 1,339,574	\$ 389,184	\$ -	\$ 1,728,758
Accumulated Depreciation	\$ (547,734)	\$ (35,049)	\$	\$ (582,783)
Accumulated Amortization	(127,588)	(8,953)		(136,541)
FIXED ASSETS, NET	\$ 664,252	\$ 345,182	\$ -	\$ 1,009,434

E. Certificates of Obligation – Series 2016

A summary of long-term debt follows:

	Outstanding 10/1/2023	Issued	Retired	Outstanding 9/30/2024	Due Within One Year
Business Type Activities: Certificates of Obligation- Series 2016	<u>\$ 415,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 315,000</u>	<u>\$ 105,000</u>

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. This bond is liquidated by the water utility fund through charges for services.

The annual requirements to amortize the refunding bonds as of September 30, 2024 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2025	105,000	6,269	111,269
2026	105,000	4,179	109,179
2027	105,000	2,090	107,090
Totals	<u>\$ 315,000</u>	<u>\$ 12,538</u>	<u>\$ 327,538</u>

F. During the year ended September 30, 2024, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	\$ 77,000	\$ 100,000
Water Utility Fund	100,000	62,000
Solid Waste Fund		15,000
Totals	<u>\$ 177,000</u>	<u>\$ 177,000</u>

G. Retirement Plan

The City joined the Texas Municipal Retirement System on October 3, 2023.

Plan Description

The City of Highland Haven, Texas participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8 Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well. Plan provisions for the City were as follows:

	Plan Year 2024	Plan Year 2023
Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms.

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2
Total	2

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Highland Haven, Texas were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Highland Haven, Texas were 11.09% and 11.09% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$12,643, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Asset in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 2.75% per year, adjusted down for population declines, if any

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10)mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-core fixed income	20.0%	8.70%
Other Public and Private Marketes	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	12%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Total Pension Liability (a)	Increase/(Decrease) Fiduciary Net Pension (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2022	\$ -	\$ -	\$ -
Charges for the year:			
Service Cost	1,488		1,488
Interest	627		627
Changes in Benefit Terms	8,549		8,549
Difference between expected and actual experience	-		-
Changes in assumptions	(562)		(562)
Contributions- Employer		992	(992)
Contributions- Employee		626	(626)
Net Investment Income			-
Benefit Payments, including refunds of employee contributions	-	-	-
Administrative Expense			-
Other Change			-
Net Changes	10,102	1,618	8,484
Balances as of December 31, 2023	\$ 10,102	\$ 1,618	\$ 8,484

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Current Single Rate Assumption	1% Increase
1% Decrease 5.75%	6.75%	7.75%
\$ 9,232	\$ 8,484	\$ 7,794

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the City recognized pension expense of \$8,484.

At September 30, 2024 the City reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	420	-
Net difference between projected and actual earnings	-	-
Contributions made subsequent to measurement date	-	11,651
Total	<u>\$ 420</u>	<u>11,651</u>

\$11,651 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2024	\$ (142)
2025	(142)
2026	(136)
2027	-
2028	-
Thereafter	
Total	<u>\$ (420)</u>

Payables to the Pension Plan. None as of September 30, 2024.

H. Defined Other Post-Employment Benefit Plan

The City participates as one of 800 cities in the Texas Municipal Retirement System ("TMRS") optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active Members, with optional coverage for their retirees. A city may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefit. Benefits payable from the SDBF become due after the death of a covered active Member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active Members provides a lump-sum payment approximately equal to the Member's annual salary (calculated based on the Member's actual earning for the 12-month period preceding the month of death). The death benefit for retirees is an "other post-employment benefit" and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund.

Contributions. Contributions to the SDBF are made monthly based on the payroll of covered Members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each city participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires allocation from the Interest Reserve Account to the SDBF on an annual basis. The funding policy of this supplemental death benefit plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

All eligible employees of the city are required to participate in the SDBF.

The City's contributions to the TMRS SDBF for the year ended 2024 was \$410.43 which equaled the required contributions each year.

Employees covered by benefit terms.

At the December 31, 2023 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active Employees	2
Total	<u>2</u>

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TOL in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate 2.00% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2020. At transition, GASB No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

Inflation	2.50%
Salary Increases	3.50% to 11.85% including inflation
Discount Rate*	3.77%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's *20-Year Municipal GO AA Index* rate as of December 31, 2023

Changes in the City's Total OPEB Liability:

Covered Payroll	\$	8,946
Total OPEB Liability- beginning of year	\$	-
<u>Changes for the year:</u>		
Service Cost		49
Interest on OPEB Liability		76
Changes of benefit terms		1847
Differences between expected and actual experience		0
Changes in assumptions or other inputs		199
Benefit Payments**		0
Net Changes		<u>2,171</u>
Total OPEB Liability - end of year	\$	<u>2,171</u>

Total OPEB Liability as a percentage of covered Payroll 3.74%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.77%, as well as what the City's Total OPEB Liability would be if it were calculated

using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 2,685	\$ 2,171	\$ 1,777

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2024, the City recognized OPEB expense of \$2,171.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	-	149
Contributions made subsequent to measurement date	N/A	378
Total	\$ -	\$ 527

\$527 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

2024	\$ 50
2025	50
2026	49
2027	0
2028	0
Thereafter	0
Total	\$ 149

Payables to the OPEB Plan. None as of September 30, 2024.

I. 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, 2024 were \$4,644.

J. 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, 2027. For the year ended September 30, 2024, the City paid \$87,550 for firefighting services.

The City has contracted with the Marble Falls Emergency Medical Service, Inc. to provide emergency medical services. The contract was for three years and terminated on September 30, 2024. For the year ended September 30, 2024, the City paid \$13,933 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 one hundred and eighty days notice. For the year ended September 30, 2024, the City paid \$81,661 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, 2024, the City paid \$99,606.

K. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time.

Deferred outflows on the Statement of Net Position consists of the deferred charge on refunding bonds (see note E), the TMRS pension deferred outflow of \$11,651 (see note G) and the TMRS OPEB deferred outflow \$149 (see note H).

Deferred inflows on the Statement of Net Position consists of the TMRS pension deferred inflow of \$420 (see note G).

Deferred inflows on the Balance Sheet – Governmental Funds consist of delinquent property taxes of \$5,158.

L. Subsequent Events

The City has evaluated subsequent events through March 3, 2025, 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, 2024

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 293,661	\$ 293,661	\$ 300,674	\$ 7,013
General Sales and Use Taxes	28,350	28,350	37,702	9,352
Franchise Tax	32,650	32,650	28,033	(4,617)
Licenses and Permits	39,000	39,000	36,860	(2,140)
Charges for Services	4,175	4,175	5,494	1,319
Forfeits	-	-	5,175	5,175
Investment Earnings	4,000	4,000	30,624	26,624
Other Revenue	-	-	973	973
Total Revenues	401,836	401,836	445,535	43,699
EXPENDITURES:				
Current:				
Personnel Services:				
Personnel Services	234,183	234,182	207,231	26,951
Administrative & Office	30,700	16,400	8,501	7,899
Street Maintenance & Repair	11,550	11,550	3,879	7,671
Maintenance & Repair	7,350	13,650	13,085	565
Professional Services	43,400	49,300	35,921	13,379
Utilities	7,350	7,350	7,411	(61)
Charges for Services	24,225	24,225	18,732	5,493
Membership Fee/ Dues	1,150	1,150	1,226	(76)
Public Safety	107,985	107,985	103,333	4,652
Capital Outlay:				
Capital Outlay	-	-	5,135	(5,135)
Total Expenditures	467,893	465,792	404,454	61,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,057)	(63,956)	41,081	105,037
OTHER FINANCING SOURCES (USES):				
Transfers In	77,000	77,000	77,000	-
Transfers Out	(130,000)	(130,000)	(100,000)	30,000
Total Other Financing Sources (Uses)	(53,000)	(53,000)	(23,000)	30,000
Net Change	(119,057)	(116,956)	18,081	135,037
Fund Balance - October 1 (Beginning)	652,449	652,449	652,449	-
Fund Balance - September 30 (Ending)	\$ 533,392	\$ 535,493	\$ 670,530	\$ 135,037

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

CITY OF HIGHLAND HAVEN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
A. Total Pension Liability			
Service Cost	\$ 1,488	\$ -	\$ -
Interest (on the Total Pension Liability)	627	-	-
Changes of Benefit Terms	8,549	-	-
Difference between Expected and Actual Experience	-	-	-
Changes of Assumptions	(562)	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Net Change in Total Pension Liability	\$ 10,102	\$ -	\$ -
Total Pension Liability - Beginning	-	-	-
Total Pension Liability - Ending	\$ 10,102	\$ 0	\$ 0
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 992	\$ -	\$ -
Contributions - Employee	626	-	-
Net Investment Income	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	\$ 1,618	\$ -	\$ -
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	\$ 1,618	\$ 0	\$ 0
C. Net Pension Liability	<u>\$ 8,484</u>	<u>\$ -</u>	<u>\$ -</u>
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	16.02%	-	-
E. Covered Payroll	\$ 8,946	\$ -	\$ -
F. Net Pension Liability as a Percentage of Covered Payroll	94.84%	-	-

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-

CITY OF HIGHLAND HAVEN, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2024

EXHIBIT G-3

	2022	2021	2020	2019
Actuarially Determined Contribution	\$ 13,054	\$ -	\$ -	-
Contributions in Relation to the Actuarially Determined Contributions	(13,054)	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	-
Covered Payroll	\$ 114,008	\$ -	\$ -	-
Contributions as a Percentage of Covered Payroll	11.45%	-	-	-

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF HIGHLAND HAVEN, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2024

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	7 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Males rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with 100% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>

Other Information:

Notes There were no benefit changes during the year other than TMRS plan participation.

CITY OF HIGHLAND HAVEN, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Total OPEB Liability				
Service Cost	\$ 49	\$ -	\$ -	-
Interest on the Total OPEB Liability	76	-	-	-
Changes of Benefit Terms	1,847	-	-	-
Difference between Expected and Actual Experience	-	-	-	-
Changes of Assumptions	199	-	-	-
Benefit Payments*	-	-	-	-
Net Change in Total OPEB Liability	2,171	-0-	-	-
Total OPEB Liability - Beginning	-0-	-0-	-	-
Total OPEB Liability - Ending	\$ 2,171	\$ -	\$ -	-
Covered Payroll	\$ 8,946	\$ -	\$ -	-
Total OPEB Liability as a Percentage of Covered Payroll	24.27%	-	-	-

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF HIGHLAND HAVEN, TEXAS
NOTES TO THE SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2024

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation.
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas mortality tables. Males rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males and a 3-year set-forward for males. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect impairment for younger members who become disabled males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023

Other Information:

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

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, 2024

EXHIBIT H-1

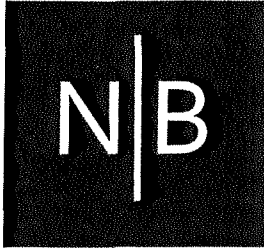
	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING REVENUES:				
Charges for Services	\$ 125,000	\$ 125,000	\$ 129,106	\$ 4,106
Rents and Royalties	-	-	4,980	4,980
Total Operating Revenues	125,000	125,000	134,086	9,086
OPERATING EXPENSES:				
Purchased Professional & Technical Services	105,500	99,000	99,606	(606)
Purchased Property Services	750	750	110	640
Total Operating Expenses	106,250	99,750	99,716	34
Operating Income (Loss)	18,750	25,250	34,370	9,120
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	50	50	74	24
Total Non-operating Revenue (Expenses)	50	50	74	24
Income (Loss) Before Transfers	18,800	25,300	34,444	9,144
Transfers Out	(15,000)	(15,000)	(15,000)	-
Change in Net Position	3,800	10,300	19,444	9,144
Net Position - October 1 (Beginning)	64,336	64,336	64,336	-
Net Position - September 30 (Ending)	\$ 68,136	\$ 74,636	\$ 83,780	\$ 9,144

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 NET POSITION
BUDGET AND ACTUAL - WATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING REVENUES:				
Charges for Services	\$ 284,000	\$ 284,000	\$ 243,761	\$ (40,239)
Other Revenue	200	200	45	(155)
Total Operating Revenues	284,200	284,200	243,806	(40,394)
OPERATING EXPENSES:				
Purchased Professional & Technical Services	46,550	46,550	37,486	9,064
Purchased Property Services	5,600	5,600	2,321	3,279
Other Operating Costs	59,900	59,375	45,158	14,217
Supplies	2,500	2,500	409	2,091
Depreciation	-	-	44,002	(44,002)
Total Operating Expenses	114,550	114,025	129,376	(15,351)
Operating Income (Loss)	169,650	170,175	114,430	(55,745)
NON-OPERATING REVENUES (EXPENSES):				
Grants	(100,000)	(100,000)	60,938	160,938
Investment Earnings	1,500	1,500	13,774	12,274
Interest Expense - Nonoperating	(8,300)	(8,300)	(15,097)	(6,797)
Total Non-operating Revenue (Expenses)	(106,800)	(106,800)	59,615	166,415
Income (Loss) Before Transfers	62,850	63,375	174,045	110,670
Nonoperating Transfers In	-	-	100,000	100,000
Transfers Out	(62,000)	(62,000)	(62,000)	-
Change in Net Position	850	1,375	212,045	210,670
Net Position - October 1 (Beginning)	704,799	704,799	704,799	-
Net Position - September 30 (Ending)	\$ 705,649	\$ 706,174	\$ 916,844	\$ 210,670

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



NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Board of Aldermen
City of Highland Haven, Texas
Highland Haven, TX 78654

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Highland Haven, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Highland Haven, Texas's basic financial statements and have issued our report thereon dated March 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Highland Haven, Texas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Highland Haven, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Highland Haven, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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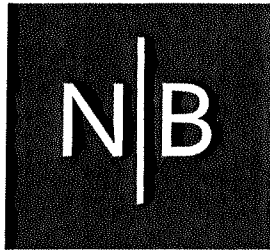
Purpose of This Report

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

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas
March 3, 2025



NEFFENDORF & BLOCKER, P.C.

March 3, 2025

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, Texas for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 October 4, 2024. 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, Texas 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 2024. We noted no transactions entered into by the City of Highland Haven, Texas 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

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detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2025.

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, Texas' 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, Texas' 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, the budgetary comparison schedule- general fund, the schedule of changes in net pension liability and related ratios, schedule of employer contributions and the schedule of changes in total OPEB liability and related ratios, 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:

Prior Year Journal Entries

The City did not record the prior year audit journal entries. The unrecorded entries cause the beginning financial statement balances to be misstated. We recommend the City record the prior year audit journal entries.

Public Funds Investment Act Compliance

Local Government Code chapter 2256 Public Funds Investment Act states "The governing body of an investing entity shall review its investment policy and investment strategies not less than annually". The City failed to review and adopt the investment policy through Board of Alderman action. We recommend the Board of Alderman review and adopt the investment policy annually to be in compliance with the Public Funds Investment Act.

Coronavirus State and Local Fiscal Recovery Grant Funds

The City expended CLFRF grant funds in the amount of \$60,938 in the Water Utility Fund. These funds were classified as unearned revenue in the previous year. The City failed to reclassify the expended funds from unearned revenue to contributed capital. This caused the liabilities to be overstated and the revenues to be understated. We recommend the City monitor the grant expenditures and recognize the allowable cost in contributed capital.

This information is intended solely for the use of the Board of Aldermen and management of City of Highland Haven, Texas 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