

**Town of Highland Lake  
Alabama  
Audited Financial Statements  
September 30, 2023**

**As Prepared by  
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Millbrook, AL. 36054  
334-517-6555**

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HIGHLAND LAKE, ALABAMA  
For the Year Ended September 30, 2023**

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**Hollon Accounting Services, Inc.**

Certified Public Accountants & Consultants

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Millbrook, AL 36054

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**INDEPENDENT AUDITOR'S REPORT**

**To the Mayor and Council Members of  
The Town of Highland Lake  
Highland Lake, AL. 35121**

**Report on the Audit of Financial Statements**

**Opinion**

I have audited the financial statements of the governmental activities of the Town of Highland Lake, Alabama as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principals generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America ( GAAS ) and the standards applicable to financial audits contained in Government Auditing Standard, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Southwest Alabama Water Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Highland Lake's ability to continue as a going concern

for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, I:

- Exercise professional judgement 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 Town of Highland Lake's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the town of Highland Lake's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Required Supplementary Information**

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be provided. Management has elected to omitted such management's discussion and analysis information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States or America, which consisted of inquires 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 I obtained during my audit of the basic financial statements. I 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**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Highland Lake's basic financial statements. The supplementary information are presented for purposes of additional analysis and are not a part of the basic financial statements. The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary 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, I have also issued my report dated February 29, 2024, on my consideration of the Town of Highland Lake's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an internal part of an audit performed in accordance with Government Auditing Standards in considering the Town of Highland Lake's internal control over financial reporting and compliance.

*Hollon Accounting Services, Inc.*

Hollon Accounting Services, Inc.  
February 29, 2024

## Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for the management's monitoring and planning. The financial are studied in depth to detect trends, project growth and prepare budgets for the upcoming year.

### Condensed Financial Statements

Cash Statement of Net Statements	Governmental Activities	
	2023	2022
Cash and Certificates of Deposit	583,379	465,868
Receivables	4,870	5,950
Capital Assets	356,995	397,964
Other	3,923	4,263
<b>Total Assets</b>	<b>949,167</b>	<b>874,045</b>
Current Liabilities		
Accounts Payable & Tax Liabilities	11,625	9,744
<b>Total Liabilities</b>	<b>11,625</b>	<b>9,744</b>
Net Position:		
Net Investment in Capital Assets	356,995	397,964
Restricted	236,384	193,365
Unrestricted	344,163	272,972
<b>Total Net Position</b>	<b>937,542</b>	<b>864,301</b>

#### Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

Town of Highland Lake  
612 Lakeshore Drive  
Highland Lake, Alabama 35121  
Phone: (205) - 625 - 6407

**STATEMENT OF NET POSITION  
TOWN OF HIGHLAND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash	144,537
Cash Restricted	181,049
Certificates of Deposit	257,793
Accounts Receivable	4,870
Accrued Interest	853
Prepaid Insurance	3,070
<b>Total Current Assets</b>	<b>592,172</b>
Non-Current Assets:	
Land ( Non Depreciable )	20,475
Other Capital Assets, Net of Accumulated Depreciation	336,520
<b>Total Non-Current Assets</b>	<b>356,995</b>
<b>Total Assets</b>	<b>949,167</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	8,318
Payroll Tax Liabilities	3,307
<b>Total Liabilities</b>	<b>11,625</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	356,995
Restricted	182,599
Unrestricted	397,948
<b>Total Net Position</b>	<b>937,542</b>

**STATEMENT OF ACTIVITIES  
TOWN OF HIGHLAND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

<b>Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)/ Revenue</b>
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants</b>	
<b>Governmental:</b>					
General Government	\$ 221,786				\$ (221,786)
Public Safety	49,657				\$ (49,657)
Highway and Street	-				\$ -
<b>Total governmental activities</b>	<b>271,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(271,443)</b>
<b>Changes in Net Position:</b>					
General revenues:					
					67,302
					79,770
					116,189
					81,423
					<u>344,684</u>
					\$ 73,241
					\$ 864,301
					<u>\$ 937,542</u>



**BALANCE SHEET - GOVERNMENTAL FUNDS  
TOWN OF HIGHLAND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

	<b>General Fund</b>	<b>Road Fund State \$.07 Gas Tax</b>	<b>Special Road Fund State \$.04 and \$.05 Gas Tax</b>	<b>Rebuild Alabama Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	144,537				144,537
Restricted Cash	34,817	16,197	69,691	60,344	181,049
Certificates of Deposit	257,793				257,793
Accounts Receivable	2,394	426	357	1,693	4,870
Accrued Interest	853				853
Prepaid Insurance	3,070				3,070
<b>Total Assets</b>	<b>443,464</b>	<b>16,623</b>	<b>70,048</b>	<b>62,037</b>	<b>592,172</b>
<b>LIABILITIES</b>					
Accounts Payable	8,318				8,318
Payroll Tax Liabilities	3,307				3,307
<b>Total Liabilities</b>	<b>11,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,625</b>
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid Insurance	3,070				3,070
Restricted :					
Highway and Street	-	16,623	70,048	62,037	148,708
Police Department	33,891				33,891
Unassigned	383,253				383,253
<b>Total Fund Balances</b>	<b>420,214</b>	<b>16,623</b>	<b>70,048</b>	<b>62,037</b>	<b>568,922</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 431,839</b>	<b>16,623</b>	<b>70,048</b>	<b>62,037</b>	<b>580,547</b>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF NET POSITION  
TOWN OF HIGHLND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

Total Fund Balances for Governmental Funds	\$ 568,922
Total Net Position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	356,995
Revenue not received within 60 days are not reported as revenue and deferred in the funds.	<u>11,625</u>
Net Position of Governmental Activities	<u><u>\$ 937,542</u></u>

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TOWN OF HIGHLAND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

	<u>General Fund</u>	<u>Road Fund State \$.07 Gas Tax</u>	<u>Special Road Fund State \$.04 and \$.05 Gas Tax</u>	<u>Rebuild Alabama Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 79,770				\$ 79,770
Licenses and Permits	67,302				67,302
Fines	3,987				3,987
Intergovernmental	91,576	\$ 3,273	\$ 2,828	\$ 18,511	116,189
Charges for Services	67,302				67,302
Other	10,133				10,133
<b>Total Revenues</b>	<u>320,071</u>	<u>3,273</u>	<u>2,828</u>	<u>18,511</u>	<u>344,684</u>
<b>EXPENDITURES</b>					
General Government	170,648				170,648
Public Safety	58,601				58,601
Highway and Street	-				-
Capital Outlay	6,312				6,312
<b>Total Expenditures</b>	<u>235,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,562</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,509	3,273	2,828	18,511	109,122
Fund Balances - Beginning	394,149	9,346	27,415	35,427	466,337
Fund Balances - Ending	<u>\$ 478,658</u>	<u>\$ 12,619</u>	<u>\$ 30,243</u>	<u>\$ 53,938</u>	<u>\$ 575,459</u>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF ACTIVITIES  
TOWN OF HIGHLAND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

Net Change in Fund Balances - Total Government Funds 109,122

The change in net position reported for government activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated Useful lives and reported as depreciation expense. (6,312)

Property taxes assets in a prior year are not considered as revenue in the funds unless collected within 60 days. (29,569)

Change in Net Position of Governmental Activities 73,241

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**TOWN OF HIGHLAND LAKE, ALABAMA  
For the Year Ended September 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Taxes	\$ 79,770	\$ 80,000	\$ (230)
Licences and Permits	67,302	125,000	(57,698)
Fines	3,987	5,000	(1,013)
Intergovernmental	116,189	110,000	6,189
Charges for Services	67,302	10,000	57,302
Other	10,133	15,000	(4,867)
<b>Total Revenues</b>	<u>344,684</u>	<u>345,000</u>	<u>(316)</u>
<b>EXPENDITURES</b>			
General Government	170,648	275,000	(104,352)
Public Safety	58,601	60,000	(1,399)
Highways	-	5,000	(5,000)
Capital Outlay	6,312	5,000	1,312
<b>Total Expenditures</b>	<u>235,561</u>	<u>345,000</u>	<u>(109,439)</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 109,123</u>	<u>\$ -</u>	<u>\$ 109,123</u>

## TOWN OF HIGHLAND LAKE, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Highland Lake, Alabama (hereinafter “the Town”) provides the following services to the community using the mayor-council government model:

- Public safety services include police and fire departments, as well as public works operations
- Park, recreation, public library, as well as, general and administrative services.

The financial statements of the Town of Highland Lake, AL, have been prepared in conformity with generally accepted accounting principles (hereinafter “GAAP”) as they have been applied to governmental units. Governmental units such as the Town are subject to standards as set by the Governmental Accounting Standards Board (hereinafter “GASB”), the accepted standard setting body for establishing accounting and financial reporting principles.

##### 1. DETERMINATION SCOPE OF REPORTING ENTITY

The City’s financial statements including only their fund and account group. Given that there are no other entities controlled by or dependent on the Town, it has not oversight responsibility. Test of dependence or control is based on appointment and funding of a respective governing board, adoption of a budget and authority to tax. Based on these criteria, the Town does report one component unit as described below.

##### 2. FUND ACCOUNTING

The Town organizes its accounts on a fund accounting basis with account groups. These separate funds are considered individual accounting entities for reporting purposes. Each fund uses separate self-balancing accounts to account for their assets, liabilities, fund equity, revenues and expenditures. Resources such as these are organized and accounted for in separate funds given the nature in which they are controlled as to their purposes and spending. The funds used by the Town are grouped in this report into basic types and categories as follows:

###### GOVERNMENTAL FUNDS

General Fund is the Town’s general operating fund. This account is used to account for all funds that do not require a separate account.

Special Revenue Funds are those revenues stemming from specific taxes or earmarked sources.

###### FIXED ASSETS AND LONG-TERM LIABILITIES

Fixed Assets and long-term liabilities accounting and reporting are determined by their measurement focus. All governmental funds are accounted for on a spending or “financial flow”

(continued)

## **A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2. FUND ACCOUNTING (continued)**

#### FIXED ASSETS AND LONG-TERM LIABILITIES

measurement focus meaning that generally only current assets and liabilities appear on the balance sheets. The amount reported as fund balance (net current assets) is generally considered a representation of resources that available to spend. Fund operating statements present revenues and other financial resources as increases while expenditures and other financing uses are represented as decreases in net current assets. Summarily, these items present a summary of sources and used spending resources during a given period.

Assets considered general assets (those used in governmental fund operations) are presented in the General Fixed Assets Account Group not governmental funds. Certain assets including, but not limited to, infrastructure (public domain), general fixed assets with certain improvements other than structures like roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems have been capitalized and no depreciation is provided.

All fixed assets are presented using historical cost methods. Each asset is represented at its historical cost value (whether estimate or actual) unless the asset was donated in which case they are presented at their estimated fair value on the date of donation.

General Long-Term Debt Account Group includes those long-term liabilities that are expected to be financed using governmental funds. They do not appear in governmental funds.

Two accounts are considered groups not funds and they are related only to measurement of financial position, not the results of operations.

Noncurrent liabilities are excluded from governmental fund type expenditures or fund liabilities. Due to their spending measurement focus and given they do not affect current liabilities, they are presented instead under the General Long-Term Debt Account Group.

### **3. BASIS OF ACCOUNTING**

The modified accrual method is used for the Town's accounting records. Under this method revenues are recorded when they become both measurable and available, while expenditures are recorded when expenses are incurred.

### **4. PREPAYMENTS**

Amounts recorded under the asset prepaid insurance are charged to expenditures over the life of the police and on a straight-line basis.

(continued)

## **A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **5. CASH AND INVESTMENTS**

In an attempt to maximize investment possibilities, cash from all funds are collected into one account. Deposits into the collective account represent an equity amount to each fund, including any interest paid to the account. Each funds equity portion, in any interest earned, of the collected funds is due on demand and therefor presented as a cash equivalent in those funds respective financial statements.

Additionally, marketable securities owned by any specific fund with a maturity date within ninety (90) days or less are considered to be cash equivalents.

Balances held in banks are covered either by federal deposit insurance or collateral held in the Town's name by a fiscal agent.

Investments made by the Town are authorized by state statutes, city bond ordinances and resolutions. Additionally, the Town has been authorized to invest monies into obligations issued by the U.S. government and its instrumentalities that are directly issues from these bodies, collateralized or insured certificates of deposit, as well as government "pools" or registered money market funds that made up on any of the securities listed above.

### **6. COMPARATIVE DATA**

Presented herein is limited date that allows the user to compare the changes in the Town's financial position and operation. The prior year's full financial statement, while publicly available for review, are not presented here. Presenting the entirety of those reports would make this report unnecessarily complex and possibly daunting to the user.

### **7. TOTAL COLUMNS**

Columns representing Totals on the Combined Statements-Overview have been marked "Memorandum Only". These totals are provided only to aid in financial analysis and do not represent financial position nor results of operations as required by GAAP. Additionally, these items should not be considered or used as a consolidation. No interfund eliminations have been made in the presentation and aggregation of this data.

### **8. COMPARATIVE DATA**

Presented herein is limited date that allows the user to compare the changes in the Town's financial position and operation. The prior year's full financial statement, while publicly available for review, are not presented here. Presenting the entirety of those reports would make this report unnecessarily complex and possibly daunting to the user.

## **B. COLLATERALIZED DEPOSITS**

Federal depository insurance covers and insures deposits made by the Town.

(continued)



**NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF HIGHLAND LAKE, ALABAMA**

**For the Year Ended September 30, 2023**

**NOTE 9 - CAPITAL ASSETS**

Information related to property, plant and equipment of the Town for the year ended September 30, 2022 was as follows:

	<u>Balance 9/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2023</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land and Land Rights	\$ 20,475	\$ -	\$ -	\$ 20,475
Capital assets being depreciated:				
Buildings	149,542	-	-	149,542
Equipment	197,382	-	-	197,382
Lake Improvements	451,916	-	-	451,916
Vehicles	92,641	-	-	92,641
Land Improvements	117,039	6,312	-	123,351
Total capital assets being depreciated	<u>1,008,520</u>	<u>6,312</u>	<u>-</u>	<u>1,014,832</u>
Less accumulated depreciation for:				
Buildings	55,853	3,739	-	59,592
Equipment	90,385	13,159	-	103,544
Lake Improvements	381,611	11,298	-	392,909
Vehicles	43,610	13,234	-	56,844
Land Improvements	59,572	5,852	-	65,424
Total capital assets less accumulated depreciation	<u>631,031</u>	<u>47,282</u>	<u>-</u>	<u>678,313</u>
Total capital assets being Depreciated net,	<u>377,489</u>	<u>(40,969)</u>	<u>-</u>	<u>336,520</u>
<b>Governmental activity capital assets, net</b>	<u><b>\$ 397,964</b></u>	<u><b>\$ (40,969)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 356,995</b></u>

Depreciation expense was charged to functions as follows:

General Government	\$ 41,886
Police	5,396
	<u><b>\$ 47,282</b></u>