

Highland Lake, Alabama
Financial Statements
For the Year Ended
September 30, 2019

Vance CPA LLC
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HIGHLAND LAKE, ALABAMA**

For the Year Ended September 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council
Town of Highland Lake, Alabama

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 Town of Highland Lake, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the each major fund, and the aggregate remaining fund information of the Town of Highland Lake, Alabama, as of September 30, 2019, and the respective changes in financial position, and the

budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Oxford, Alabama
December 31, 2019



Vance CPA LLC

**TOWN OF HIGHLAND LAKE
612 LAKESHORE DRIVE
HIGHLAND LAKE, AL 35121**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Town of Highland Lake’s discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the Town’s financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview and analysis of the Town’s activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant issues, provide an overview of the Town’s financial activity, identify changes in the Town’s financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan, and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes in addition to this MD&A.

Government-Wide Financial Statement

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the Town as a whole. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed.

The focus of the Statement of Net Position (the “Unrestricted Net Position”) is designed to be similar to a bottom line for the Town and its governmental activities. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets (note: infrastructure will be added at a later date, see “Infrastructure Assets” below) and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental), which are provided by the government’s general tax and other revenues. This is intended to summarize and simplify the user’s analysis of cost of various governmental services and the local taxing effort necessary to sustain each of those activities.

Fund Financial Statements

The Governmental Funds presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith. The Government Funds Total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect debt proceeds and interfund transfers as other financial sources as well as capital expenditures and debt principal

payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column (in the Government-wide statement).

The Town maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the street \$.07 state gas tax fund and the street \$.04 and \$.05 state gas tax fund, which are considered to be major funds.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

Infrastructure Assets

The Town is a phase three government which were not required to retroactively report infrastructure assets and record accumulated depreciation on those assets. Beginning October 1, 2003, the Town capitalized any infrastructure assets as they have been constructed. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise.

Analysis of the Overall Financial Position and Results of Operations

In evaluating the financial position and short-term financial performance of the Town, two tools are particularly valuable: The Statement of Net Position, and the Statement of Activities.

Net Position of the Town represents the difference between Assets and Liabilities of the Town using the economic resources measurement focus and accrual basis of accounting. Had the Town accounted for its infrastructure assets, Net Position Invested in Capital Assets, would have been significantly higher.

In general terms, the Town's Total Assets and Deferred Outflows consist of Cash, Receivable, Prepaid Insurance and Accrued Property Tax Revenue: \$503,558 for the General Fund, \$100 for the .07 gas tax fund, and \$100 for the .04 and .05 gas tax fund; and Capital Assets of \$233,010.

The Town's Liabilities and Deferred Inflows consist of Accounts Payable, Payroll Tax Liabilities and Deferred Property Tax Revenue: \$80,266 for the General Fund.

The Governmental Activities of the Town consist of normal operating expenditures for the General Fund, which includes the Highland Lake Police Department and supporting the Straight Mountain Fire and Rescue Department. The Gas Tax Funds are remitted monthly to the county who has assumed responsibility for the maintenance of the existing Town roads.

Governmental Activities General Revenues consist of Advalorem and Personal Property Taxes, Motor Vehicle Taxes and Licenses, State Appropriations, Licenses and Permits and other revenue: \$95,497 for the General Fund. Program Revenues consist of \$117,215 for police fines and \$8,812 for operating grants.

Expenses of the Town are in line with the revenue. There are no known or planned expenditures that will outpace the Town revenue for next year.

Budget Variances in the General and Gasoline Tax Funds

Please refer to page 15 of the audited financial statements for the budget detail. In the Town's opinion, expectations were met.

Capital Assets

There were no significant changes in the current fiscal year. Refer to Note 4 to the financial statements for additional information.

Economic Factors

The Town relies on state shared gasoline taxes for improvements to highways and streets and a franchise fee from the power company for its governmental activities.

The levels of taxes, fees, and charges for services have a direct bearing on the Town's ability to provide services to its citizens.

Lake use fees are growing and this allows the Town to accomplish capital improvements without acquiring debt.

Future Plans for the Town of Highland Lake

The Town of Highland Lake provides a lake and recreational area for the community and others. The Council and administration will continue focus on projects to preserve the lake and recreational properties owned by the Town.

Future projects include determining a solution/purchase of a Town boat, relocating our boat launch and finalize decision on boat slips. We will review extending our walking path and increasing the use of the park through concerts and other sponsored events.

Administrative guidelines established to oversee participation in the Federal LESO Equipment Acquisition Program. Prior approval by the Mayor is now required on all requests.

The Town continues to see an upturn in the economic growth, with new houses, boat houses and piers being built, and an increase in sales of existing real estate.

The Town will continue to focus on the efforts to maintain the cleanliness and eco-system of the lake, and the safety of the community. Funds are available for these and other improvement projects. The Town has no outstanding debt at this time.

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 statements are studied in depth to detect trends, project growth and prepare budgets for the upcoming year.

Condensed Financial Statements

	Governmental Activities	
Condensed Statement of Net Position	2019	2018
Cash and Certificates of Deposit	\$ 405,972	\$ 383,882
Receivables	92,947	73,973
Capital Assets	233,010	245,068
Other	4,639	4,074
Total Assets	736,568	706,997
Current Liabilities	2,716	5,688
Deferred Inflows of Resources	81,382	72,600
Total Liabilities and Deferred Inflows	84,098	78,288
Net Position:		
Net Investment in Capital Assets	233,010	245,068
Restricted	35,727	21,249
Unrestricted	383,733	362,392
Total Net Position	\$ 652,470	\$ 628,709

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, 2019

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 200,070
Certificates of Deposit	205,902
Receivables	
Due From Other Governments	2,945
Accrued Interest	361
Accrued Property Tax Revenue	89,641
Prepaid Insurance	<u>4,639</u>
Total Current Assets	<u>503,558</u>
Non-Current Assets:	
Land	12,475
Other Capital Assets, Net of Accumulated Depreciation	<u>220,535</u>
Total Non-Current Assets	<u>233,010</u>
Total Assets	<u>736,568</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,530
Payroll Tax Liabilities	<u>1,186</u>
Total Liabilities	<u>2,716</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>81,382</u>
Total Deferred Inflows	<u>81,382</u>
NET POSITION	
Net investment in capital assets	233,010
Restricted	35,727
Unrestricted	<u>383,733</u>
Total Net Position	<u>\$ 652,470</u>

See accompanying notes to the basic financial statements.

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

For the Year Ended September 30, 2019

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense)/ Revenue</u>
Governmental:				
General Government	\$ 147,291	\$ 117,215	\$ 350	\$ (29,726)
Public Safety	49,290	—	—	(49,290)
Highway and Street	<u>20,477</u>	<u>—</u>	<u>8,462</u>	<u>(12,015)</u>
Total governmental activities	<u>\$ 217,058</u>	<u>\$ 117,215</u>	<u>\$ 8,812</u>	<u>\$ (91,031)</u>

Changes in Net Position:

General revenues:	
Taxes:	
Advalorem and Personal Property	72,600
Sales tax	22,897
Intergovernmental	4,728
Other	<u>4,567</u>
Total general revenues	<u>104,792</u>
Change in Net Position	13,761
Net Position – Beginning as restated (see note 9)	<u>638,709</u>
Net Position - Ending	<u>\$ 652,470</u>

See accompanying notes to the basic financial statements.

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

For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Road Fund State \$.07 Gas Tax</u>	<u>Special Road Fund State \$.04 and \$.05 Gas Tax</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 199,870	\$ 100	\$ 100	\$ 200,070
Certificates of Deposit	205,902	—	—	205,902
Receivables				
Due from other Governments	2,945	—	—	2,945
Accrued Interest	361	—	—	361
Accrued Property Tax Revenue	89,641	—	—	89,641
Prepaid Insurance	<u>4,639</u>	<u>—</u>	<u>—</u>	<u>4,639</u>
Total Assets	<u>503,358</u>	<u>100</u>	<u>100</u>	<u>503,558</u>
LIABILITIES				
Accounts Payable	1,530	—	—	1,530
Payroll Tax Liabilities	<u>1,186</u>	<u>—</u>	<u>—</u>	<u>1,186</u>
Total Liabilities	<u>2,716</u>	<u>—</u>	<u>—</u>	<u>2,716</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	<u>77,550</u>	<u>—</u>	<u>—</u>	<u>77,550</u>
Total Deferred Inflows of Resources	<u>77,550</u>	<u>—</u>	<u>—</u>	<u>77,550</u>
FUND BALANCES				
Nonspendable				
Prepaid Insurance	4,639	—	—	4,639
Restricted				
Highway and Street	35,527	100	100	35,727
Unassigned	<u>382,926</u>	<u>—</u>	<u>—</u>	<u>382,926</u>
Total Fund Balances	<u>423,092</u>	<u>100</u>	<u>100</u>	<u>423,292</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 503,358</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 503,558</u>

See accompanying notes to the basic financial statements.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
TOWN OF HIGHLAND LAKE, ALABAMA**

For the Year Ended September 30, 2019

Total Fund Balances for Governmental Funds	\$ 425,292
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.	233,010
Revenue not received within 60 days are not reported as revenue and deferred in the funds.	<u>(5,832)</u>
Change in Net Position of Governmental Activities	<u>\$ 652,470</u>

See accompanying notes to the basic financial statements.

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

For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Road Fund State \$.07 Gas Tax</u>	<u>Special Road Fund State \$.04 and \$.05 Gas Tax</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 99,329	\$ —	\$ —	\$ 99,329
Licenses and Permits	58,917	—	—	58,917
Fines	7,858	—	—	7,858
Intergovernmental	4,728	4,410	4,052	13,190
Charges for Services	50,440	—	—	50,440
Other	<u>4,917</u>	<u>—</u>	<u>—</u>	<u>4,917</u>
Total Revenues	<u>226,189</u>	<u>4,410</u>	<u>4,052</u>	<u>234,651</u>
EXPENDITURES				
General Government	127,145	—	—	127,145
Public Safety	43,894	—	—	43,894
Highway and Street Appropriations	<u>12,015</u> <u>3,484</u>	<u>4,410</u> <u>—</u>	<u>4,052</u> <u>—</u>	<u>20,477</u> <u>3,484</u>
Total Expenditures	<u>186,538</u>	<u>4,410</u>	<u>4,052</u>	<u>195,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,651	—	—	39,651
Fund Balances - Beginning	<u>383,441</u>	<u>100</u>	<u>100</u>	<u>383,641</u>
Fund Balances - Ending	<u>\$ 423,092</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 423,292</u>

See accompanying notes to the basic financial statements.

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

For the Year Ended September 30, 2019

Net Change in Fund Balances – Total Governmental Funds	\$ 39,651
The change in net position reported for governmental 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. This is the amount by which Depreciation (22,058) exceeds capital outlay (\$0)	(22,058)
Property taxes assed in a prior year are not considered as revenue in the funds unless collected within 60 days.	<u>(3,832)</u>
Change in Net Position of Governmental Activities	<u>\$ 13,761</u>

See accompanying notes to the basic financial statements.

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

**TOWN OF HIGHLAND LAKE, ALABAMA
For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes	\$ 75,000	\$ 75,000	\$ 99,329
Licenses and permits	54,200	54,200	58,917
Fines	—	—	7,858
Intergovernmental	4,400	4,400	4,728
Charges for Services	48,000	48,000	50,440
Other	<u>1,410</u>	<u>1,410</u>	<u>4,917</u>
Total Revenues	<u>183,010</u>	<u>183,010</u>	<u>226,189</u>
EXPENDITURES			
General government	116,074	116,074	127,145
Public Safety	49,600	49,600	43,894
Highways	15,000	15,000	12,015
Appropriations	2,336	2,336	3,484
Capital Outlay	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures	<u>183,010</u>	<u>183,010</u>	<u>186,538</u>
Excess Revenues Over (Under) Expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,651</u>

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Town of Highland Lake, Alabama is a municipality governed by an elected mayor and town council. The Town's major operations include management of the lake, providing police protection for its citizens, maintenance of streets, and general administrative services.

In evaluating how to define the Town for financial reporting purposes, all potential component units were considered. The basic, but not the only, criterion for including a component unit within the reporting entity is the Town's ability to exercise oversight responsibility. Oversight responsibility is defined to include, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Town has no component units.

BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Town) and its component units. These statements include the financial activities of the overall government. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statement: The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental. All remaining governmental funds are aggregated and reported as nonmajor funds.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Town reports the following major governmental funds:

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund State \$.07 Gas Tax. The State Gasoline Tax Funds receive revenues from the State 7-cent gasoline tax and 2-cent Inspection Fee on motor fuels. These funds are restricted for the repair and maintenance of the Town's street and street lights.

Special Road fund State \$.04 and \$.05 Gas Tax. The State Gasoline Tax Funds receive revenues from the State 4-cent, 5-cent, the State Motor Vehicle, and the additional excise tax. These funds are restricted for the repair and maintenance of the Town's streets and street lights.

During the year ended September 30, 2006, the Town assigned these state gasoline tax revenues to the Blount County Commission and the responsibility of maintenance of the Town's roads.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlement, and donation is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlement, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, gasoline taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reports as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

ASSEST, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The Town is restricted to depositing and investing in accounts that are fully insured by the federal government.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Receivables are reported as *Receivables* and *Due from Other Governments* in the government-wide financial statements and as *Receivables*, *Due from Other Funds*, and *Due from Other Governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes.

Prepaid Items

Certain payments to vendors reflect costs that benefit future accounting periods and are recorded on the consumption basis. They are similarly reported in the government-wide and fund financial statements.

Property Tax Calendar

The Blount County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets, which include road network, bridges, sidewalks, etc., are only those acquired or that receive substantial improvements subsequent to September 30, 2003. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Thresholds</u>
Infrastructure	30	\$ 5,000
Buildings	40	\$ 5,000
Building Improvements	20	\$ 5,000
Vehicles	2-15	\$ 5,000
Office Equipment	3-15	\$ 1,000

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *Deferred Inflows of Resources*, represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

Equity Classifications

In the government-wide statements and in proprietary fund statements, equity is classified as net position, and displayed in three components:

- (a) Net Investment in Capital Assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets increased by balances of deferred outflows of resources related to those assets.
- (b) Restricted – consists of external constraints placed on net position use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

- (c) Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Town.

In governmental fund financial statements, fund balances are classified based primarily on the extent to which the Town is bound to observe constraints imposed on the use of the resources in the fund as follows:

- (a) Nonspendable fund balances – Consist of amounts that cannot be spent because they are either (i) not in spendable form or (ii) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, if any.
- (b) Restricted fund balance – Consist of amounts with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (ii) law through constitutional provisions or enabling legislation.
- (c) Committed fund balance – Consist of resource balances with constraints imposed by formal action of the Town through resolution or public meeting minutes that specifically state the revenue source and purpose of the commitment. Commitments can only be modified or rescinded through public meeting actions or resolutions by the Town. Commitments can also include resources required to meet contractual obligations approved by the Town.
- (d) Assigned fund balances – Consist of resource balances intended to be used for specific purposes by authorized Town management that do not meet the criteria to be classified as restricted or committed. In the General Fund, the assigned fund balance represents management approved encumbrances that have been re-appropriated in the subsequent year, and amounts necessary to fund budgetary shortfalls in the next fiscal year from unassigned resources.
- (e) Unassigned fund balances – Consist of all resource balances in the General Fund not contained in other classifications. For other governmental funds, the unassigned classification is used only to report a deficit balance resulting from specific purposes for which amounts had been restricted, committed or assigned.

Based on the Town’s policy regarding the fund balance classification as noted above, when both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used, committed funds are to be spent first, assigned funds second, and unassigned funds last.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgets and Budgetary Accounting

Formal integration of budgets is used as a management control device during the year for the General Fund and Special Revenue Funds. These budgets are adopted on the cash basis of accounting. Since the financial statements are prepared on a basis consistent with generally accepted accounting principles (modified accrual), there may be some timing differences between the budgetary data and financial statement data; however, these would be immaterial. The Mayor and Council approve the budgets. For the year ended September 30, 2019, total budgeted inflows for the governmental funds were \$183,010 and total budgeted outflows were \$183,010. Unused appropriations for all of the annually budgeted fund lapse at the end of the year.

Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

As of September 30, 2019, the Town's bank deposits were insured through the Federal Depository Insurance Corporation (FDIC) or were covered by the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Accounts Receivable at September 30, 2019 consists of the amounts due from the State of Alabama and Blount County for Taxes collected on behalf of the Town of \$2,945.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 4 – CAPITAL ASSETS

Information related to property, plant and equipment of the Town for the year ended September 30, 2019 was as follows:

	<u>Balance</u> <u>09/30/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/19</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and Land Rights	\$ 12,475	\$ —	\$ —	\$ 12,475
Capital assets being depreciated:				
Buildings	135,921	—	—	135,921
Equipment	100,532	—	(650)	99,882
Lake Improvements	395,037	—	—	395,037
Vehicles	75,941	—	—	75,941
Land Improvements	<u>49,535</u>	<u>—</u>	<u>—</u>	<u>49,535</u>
Total capital assets being depreciated	<u>756,966</u>	<u>—</u>	<u>(650)</u>	<u>756,316</u>
Less accumulated depreciation for:				
Buildings	40,573	3,847	—	44,420
Equipment	62,708	5,056	(650)	67,114
Lake Improvements	348,239	7,358	—	355,597
Vehicles	18,985	3,797	—	22,782
Land Improvements	<u>43,868</u>	<u>2,000</u>	<u>—</u>	<u>45,868</u>
Total capital assets less accumulated depreciation	<u>514,373</u>	<u>22,058</u>	<u>(650)</u>	<u>535,781</u>
Total capital assets being Depreciated net,	<u>242,593</u>	<u>(22,058)</u>	<u>—</u>	<u>220,535</u>
 Governmental activity capital assets, net	 <u>\$ 255,068</u>	 <u>\$ (22,058)</u>	 <u>\$ —</u>	 <u>\$ 233,010</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 16,662
Police	<u>5,396</u>
	<u>\$ 22,058</u>

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 5 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs and worker's compensation. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 6 – GRANTS AND AWARDS

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

NOTE 7 – ECONOMIC DEPENDENCY

The Town receives franchise revenue from Alabama Power Company which approximates 15.17% of the general fund's total revenue. During the year ended September 30, 2019, the Town received \$34,333.

NOTE 8 – SUBSEQUENT EVENTS

The Town evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The Town evaluated subsequent events through December 31, 2019, which is the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HIGHLAND LAKE, ALABAMA

For the Year Ended September 30, 2019

NOTE 9 - CORRECTION OF AN ERROR

In a prior period revenue from capital grants were understated by \$10,000.

The correction of the error of the beginning net position of the governmental activities in the government-wide financial statements and resulted in the adjustment below:

	<u>Business-Type</u>
Net position at September 30, 2018	\$ 628,709
Change in prior revenue	<u>10,000</u>
Net position at September 30, 2018, restated	<u>\$ 638,709</u>