

**Highland Lakes Water District
Divide, Colorado**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2024**

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Lance McMahon Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highland Lakes Water District
Divide, Colorado

Opinion

I have audited the accompanying financial statements of the business-type activities of the Highland Lakes Water District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Highland Lakes Water District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 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

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Highland Lakes Water District, 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

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.

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 Highland Lakes Water District's 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

My 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 my opinion. 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 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.

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In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Highland Lakes Water District'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Highland Lakes Water District'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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Lakes Water District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audits 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 basic 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 my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lance McMahon, CPA

Divide, Colorado
May 30, 2025

BASIC FINANCIAL STATEMENTS

Highland Lakes Water District
Statement of Fund Net Position - Proprietary Fund
December 31, 2024

Assets

Current Assets

Cash and Cash Equivalents	\$	194,114
Customer Accounts Receivable		36,092
Loan Proceeds Receivable		273,386
Project Reimbursements Receivable		410,475
Property Taxes Receivable		73,378
Total Current Assets		987,445

Noncurrent Assets

Capital Assets		
Nondepreciable		1,189,866
Depreciable		7,363,432
Total Capital Assets		8,553,298
Less accumulated depreciation		(4,732,180)
Net Capital Assets		3,821,118
Total Noncurrent Assets		3,821,118
Total Assets		4,808,563

Liabilities

Current Liabilities

Accounts Payable		62,125
Customer Prepayments		4,814
Accrued Interest Payable		3,498
Construction Retainage Payable		50,737
Construction Accounts Payable		117,760
Long-term debt - current portion		88,728
Total Current Liabilities		327,662

Noncurrent Liabilities

Long-term debt		1,140,809
Total Long-Term Liabilities		1,140,809
Total Liabilities		1,468,471

Deferred Inflows of Resources

Deferred Property Taxes		73,378
Total Deferred Inflows of Resources		73,378

Net Position

Net investment in capital assets		2,591,581
Unrestricted		675,133
Total Net Position		\$ 3,266,714

The accompanying notes are an integral part of these financial statements

Highland Lakes Water District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2024

Operating Revenues	
Water Sales	\$ 312,055
Infrastructure Income	44,160
Other Resident Charges	15,997
Total Operating Revenues	372,212
 Operating Expenses	
Source of Supply	268,278
Water Treatment	9,846
Transmission and Distribution	60,490
Administrative and General	130,618
Capital Outlay Expenses	7,781
Depreciation and amortization	317,045
Total Operating Expenses	794,058
Operating Loss	(421,846)
 Nonoperating Revenues (Expenses)	
Grant revenues	849,066
Investment Income	24,353
District Revenues and Expenses - Net	70,993
Total Nonoperating Revenues (Expenses)	944,412
Change in Net Position	522,566
Net Position, beginning of year	2,744,148
Net Position, end of year	\$ 3,266,714

The accompanying notes are an integral part of these financial statements

**Highland Lakes Water District
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2024**

Cash Flows From Operating Activities	
Cash received from customers	\$ 367,601
Cash paid for goods and services	<u>(442,163)</u>
Net cash provided (used) by operating activities	<u>(74,562)</u>
Cash Flows from Non-Operating Activities	
District Revenues and Expenses - Net	<u>70,993</u>
Net cash provided (use by) non-operating activities	<u>70,993</u>
Cash Flows From Capital and Related Financing Activities	
Acquisitions and construction of capital assets	(1,079,142)
Grant Proceeds	495,066
Proceeds from issuance of long-term debt	165,043
Principal paid on long-term debt	<u>(77,408)</u>
Net cash provided (used) in capital and related financing activities	<u>(496,441)</u>
Cash Flows From Investing Activities	
Investment income received	<u>24,353</u>
Net cash provided (used) by investing activities	<u>24,353</u>
Net Increase (decrease) in cash and cash equivalents	(475,657)
Cash and cash equivalents, beginning of year	<u>669,771</u>
Cash and cash equivalents, end of year	<u>\$ 194,114</u>
Reconciliation of Operating Income (Loss) to Net Cash provided (Used) by Operating Activities	
Operating Loss	\$ (421,846)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities	
Depreciation and amortization	317,045
Changes in assets and liabilities	
Accounts receivable	8,843
Prepaid expenses	(1,682)
Accounts payable	14,437
Deferred revenue	3,827
Customer prepayments	4,814
Net Cash Provided (Used) by Operating Activities	<u>\$ (74,562)</u>

The accompanying notes are an integral part of this statement

Highland Lakes Water District
Notes to Financial Statements
December 31, 2024

Note 1 - Summary of Significant Accounting Policies

History and Organization

Highland Lakes Water District (District) is an independent governmental entity organized under provisions of the Colorado revised statutes. It operates entirely within Teller County but is not part of the county government. The financial statements of Highland Lakes Water District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The district follows all pronouncements issued by GASB. The significant accounting policies are described below.

Financial Reporting Entity

In accordance with governmental accounting standards, the Highland Lakes Water District has considered the possibility of inclusion of additional entities in its financial statements. Definition of the reporting entity is based primarily on financial accountability and financial benefits or burdens.

The district is not financially accountable for any other entity, nor is the district a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to adopt the budget and appropriate the funds for the ensuing year. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Cash and investments

For purposes of the statements of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable of the District consist of water sales receivable. Accounts receivable are unsecured and are stated at the amount the District expects to collect. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. As of December 31, 2024, management considers accounts receivable to be fully collectable and no allowance for doubtful accounts has been recorded.

Property taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable taxes, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected. All property tax revenues are pledged for bond repayment.

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets as follows:

Water distribution system	25 years
Equipment	5 - 10 years

Maintenance and repairs are expensed as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as non-operating revenue or expense.

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in this category. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost of service, administrative expenses, and depreciation of assets, and are recorded as incurred.

Compensated absences

The District does not provide for the accumulation or carryover of leave benefits. As a result, no liability for compensated absences has been recorded in the financial statements in accordance with GASB Statement No. 101, Compensated Absences.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation.

Subsequent events

The District has evaluated events subsequent to the year ended December 31, 2024 through the date of the attached independent auditor's report, the date these financial statements were issued.

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Note 2 – Cash and Investments

Cash Deposits

Cash and investments as of December 31, 2024 are classified in the accompanying financial statements as follows:

Cash and Investments	<u>\$ 194,114</u>
Deposits with financial institutions	\$ 123,683
Investments	<u>70,431</u>
	<u>\$ 194,114</u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2024, the District's cash deposits had a bank balance of \$250,651 and a carrying balance of \$123,683.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2024, the District had the following investments:

COLOTRUST PLUS+	<u>\$ 70,431</u>
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COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Note 3 - Loan Proceeds and Project Reimbursements Receivable

The District has loan proceeds and project reimbursements receivable as follows:

Loan proceeds receivable	
Drinking Water Revolving Fund Direct Loan	\$ 108,343
Drinking Water Revolving Fund Supplemental Loan	165,043
	\$ 273,386
Project reimbursements receivables	
Energy and Mineral Impact Assistance Funds	\$ 190,038
Drinking Water Revolving Fund Matching Funds	220,437
	\$ 410,475

Loan proceeds were made available by the Colorado Water Resources and Power Development Authority to finance all or a portion of the GWUDI capital improvements being constructed by the District. The District is using these funds to construct microfiltration treatment skids and a building addition.

Project reimbursements receivables represents requisition amounts (#3 and #4) submitted after December 31, 2024, for expenditures incurred in 2024 related to the microfiltration treatment skids and building addition.

The project reimbursements receivables were collected by the District in January and March 2025 respectively. The loan proceeds will be collected upon completion of the project, which is anticipated to be completed in 2025.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2024, is as follows –

	Balance at 12/31/2023	Additions	Deletions	Balance at 12/31/2024
Nondepreciable				
Construction in progress	\$ 149,700	\$ 1,040,165	-	\$ 1,189,865
Total Nondepreciable	149,700	1,040,165	-	1,189,865
Depreciable				
Contributed Property	1,095,020	-	-	1,095,020
Collection, Transmission and Distribution System	2,388,221	-	-	2,388,221
Equipment	240,468	38,978	-	279,446
Water Rights and Augmentation	442,901	-	-	442,901
Water System Improvement	3,157,843	-	-	3,157,843
Total Depreciable	7,324,453	38,978	-	7,363,431
TOTAL	7,474,153	1,079,142	-	8,553,295
Less Accumulated Depreciation	(4,415,136)	(317,045)	-	(4,732,181)
Net Capital Assets	\$ 3,059,017	\$ 762,097	-	\$ 3,821,114

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Note 5 – Long-Term Debt

Long-term debt consists of loan agreements with the Colorado Water Resources and Power Development Authority (CWRPDA).

2015 – The district entered into a loan agreement with the CWRPDA in 2015 for a total of \$2,000,000 with interest at 2% and a term of 20 years. Proceeds were used to pay a portion of the cost for specific water projects in the district.

2023 - The district entered into an additional loan agreement with the CWRPDA in 2023 for a total of \$807,988, \$646,390 of which received up-front principal forgiveness. The remaining \$161,598 includes interest at a 1% interest rate with a term of 20 years. The loan proceeds are being used to pay for a portion of the cost of a new membrane surface water treatment plant. Funds from the loan are issued to the district based on reimbursement requests.

2024 – The district entered into a supplemental direct loan agreement with the CWRPDA in 2024 for a total of \$464,145, \$299,102 of which received up-front principal forgiveness. The remaining \$165,043 includes interest at a 1% interest rate with a term of 20 years. The loan proceeds are being used to pay for the cost of a new membrane surface water treatment plant. Funds from the loan are issued to the district based on reimbursement requests.

Changes in Long-term debt during 2024 were as follows:

	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Due Within One Year
2015 CWRPDA	\$ 980,302	\$ -	\$ 73,049	\$ 907,253	\$ 74,519
2023 CWRPDA	161,598	-	4,359	157,239	7,555
2024 CWRPDA	-	165,043	-	165,043	6,654
	<u>\$ 1,141,900</u>	<u>\$ 165,043</u>	<u>\$ 77,408</u>	<u>\$ 1,229,535</u>	<u>\$ 88,728</u>

Future Debt Service Requirements are as follows:

Year ending December 31	Principal	Interest	Total
2025	\$ 88,726	\$ 20,774	\$ 109,500
2026	91,255	19,319	110,574
2027	92,935	17,638	110,573
2028	94,647	15,926	110,573
2029-2033	500,108	52,761	552,869
2034-2038	264,258	11,737	275,994
2039-2044	97,605	2,976	100,581
	<u>\$ 1,229,535</u>	<u>\$ 141,130</u>	<u>\$ 1,370,665</u>

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

Note 6 – Risk Management

Highland Lakes Water District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

The district carries commercial insurance for all risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 – Tax, Spending and Debt Limitations

In November, 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments. TABOR is complex and subject to interpretation. The District believes it has complied with all aspects of the TABOR amendment. The District voters approved and authorized the District to collect, retain, and spend all revenue from tax levies and all other District revenue as a voter approved revenue change and an exception to the limits which otherwise apply. This vote effectively removed the District from some provisions of TABOR.

Note 8 – Reclassifications

Certain items have been reclassified from the previous year to conform with the presentation of the current year's financial statements.

Note 9 – Groundwater Under the Direct Influence of Surface Water – (GWUDI)

On August 18, 2021, the Colorado Department of Public Health and Environment Water Quality Control Division adopted policy DW-003 to determine if a public water supply source is Groundwater or Groundwater Under the Direct Influence (GWUDI) of surface water. On March 30, 2023, the District applied for funds for the Highland Lakes Water District GWUDI Treatment Project, which involved building a 640 square foot addition to house microfiltration grids for an ultimate total cost of \$1,833,960. Construction started in 2023, continued through 2024, and by April 18, 2025, \$1,358,048 had been spent, with \$475,912 remaining. The Treatment Project is expected to be completed in 2025.

Note 10 – CWRPDA Loan Covenants

Rate Covenant –

According to the loan agreement with the Colorado Water Resources and Power Development Authority, dated October 19, 2023 (Exhibit F), Highland Lakes Water District is required to establish rates, fees, and charges sufficient to cover -

1. All estimated Operation and Maintenance Expenses for the calendar year, and
2. A sum equal to at least 110% of the debt service due in the calendar year.

For the year ended December 31, 2024, the District was not in compliance with the rate covenant as follows –

For the year ended December 31, 2024

Operating Revenues

Water sales and other resident charges	\$	372,212
Non-operating/Misc. Income		103,774
Total Operating Revenues	\$	475,986

Operating Expenses

Operating expenses	\$	794,058
Less - Water Hauling	\$	(95,550)
Less - Depreciation		(317,045)
Total Operating Expenses	\$	381,463

Revenues over (under) Expenses - Net	\$	94,523
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Debt Service

Principal	\$	77,408
Interest expense		20,413
	\$	97,821

Rate Covenant Calculation

97%

Operation and Maintenance Reserve Fund Covenant –

The loan agreement further mandates that the District must maintain an operation and maintenance reserve equal to three months of operation and maintenance expenses, excluding depreciation. This reserve may be in the form of unobligated fund balances or other capital reserves. During the reporting period, Highland Lakes Water District utilized unrestricted cash on hand to fund the construction of a new membrane surface water treatment plant and then submitted requests for reimbursement resulting in loan proceeds and project reimbursements receivable totaling \$683,681. Additionally, the District held unrestricted fund balances of \$675,133 as of December 31, 2024.

Highland Lakes Water District (Continued)
Notes to Financial Statements
December 31, 2024

For the year ended December 31, 2024, the District satisfied the Operation and Maintenance Reserve requirement as follows –

As of December 31, 2024

Total Unrestricted Net Position	\$ 675,133
Current Assets	
Cash and cash equivalents	\$ 194,114
Loan proceeds receivable	273,386
Project reimbursements receivable	410,475
Total Current Assets	\$ 877,975
Current Liabilities	
Accounts payable	\$ 62,125
Construction retainage payable	50,737
Construction accounts payable	117,160
Other	8,312
Total Current Liabilities	\$ 238,334
Current assets over current liabilities	\$ 639,641
Operating expenses	\$ 794,058
Less - depreciation	(317,045)
Operating expenses - net	\$ 477,013
	0.25
Three months reserve requirement	\$ 119,253
Excess available	\$ 520,388

SUPPLEMENTARY INFORMATION

**Highland Lakes Water District
Budgetary Comparison Schedule
For the Year Ended December 31, 2024**

	Original and Final Budget	Actual	Variance
Enterprise Revenues			
Sale of Water	\$ 335,200	\$ 312,055	\$ 23,145
Infrastructure Income	44,040	44,160	(120)
Connection Fees	1,000	-	1,000
Water Tap Fees	27,486	-	27,486
ISDS Fees	500	250	250
Turn On/Off Charges	400	500	(100)
Operator Time Repairs Reimbursement	800	12,125	(11,325)
Fees/Lt/Mtr Rdg/Int Chgs	3,000	2,655	345
Meter/Parts Repairs Reimbursement	500	467	33
Total Enterprise Revenues	<u>412,926</u>	<u>372,212</u>	<u>40,714</u>
Operating Expenses			
Source of Supply			
Water Operator Services	72,896	70,846	2,050
Water Hauling	10,000	95,550	(85,550)
Interest	20,182	20,413	(231)
Supplies	17,973	18,123	(150)
Purchased Services	6,343	56,104	(49,761)
Water Employee Wages	3,400	7,044	(3,644)
Weed Control in Wetlands	324	198	126
Lake Maintenance	2,700	-	2,700
Total Source of Supply	<u>133,818</u>	<u>268,278</u>	<u>(134,460)</u>
Water Treatment			
Testing	7,500	6,981	519
Chemicals	5,505	2,865	2,640
Total Water Treatment	<u>13,005</u>	<u>9,846</u>	<u>3,159</u>
Transmission and Distribution			
Purchased Services	63,700	43,280	20,420
Supplies	6,236	17,210	(10,974)
Total Transmission and Distribution	<u>69,936</u>	<u>60,490</u>	<u>9,446</u>

Highland Lakes Water District
Budgetary Comparison Schedule (Continued)
For the Year Ended December 31, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Administration and General			
Office Administration	38,031	40,169	(2,138)
Electric	32,400	31,276	1,124
P&L Insurance	14,947	15,284	(337)
Director Fees	7,000	5,500	1,500
Bookkeeping Services	5,268	5,292	(24)
Bank Service Fees	1,175	1,584	(409)
Unemployment Insurance	83	258	(175)
Employment Taxes	3,169	6,714	(3,545)
Telephone/Internet	4,700	4,170	530
Gas	2,800	3,220	(420)
Miscellaneous	1,300	1,396	(96)
Mileage	200	2,167	(1,967)
General Supplies	2,400	2,773	(373)
Postage	2,200	3,246	(1,046)
Public News Required Publication	810	3,814	(3,004)
Trash	852	451	401
Postage for Publication	811	2,266	(1,455)
Legal - Water Rights	1,200	-	1,200
Computer/Printer	300	457	(157)
Legal - Augmentation	100	221	(121)
Meeting Rental	420	360	60
Election	<u>120,166</u>	<u>130,618</u>	<u>(10,452)</u>
Capital Projects Expenses			
Engineering	100,000	7,270	92,730
Equipment	-	511	(511)
Total Capital Projects Expenses	<u>100,000</u>	<u>7,781</u>	<u>92,219</u>
Other Expense			
Depreciation	306,185	317,045	(10,860)
Loan Principal	77,408	77,408	0
	<u>383,593</u>	<u>394,453</u>	<u>(10,860)</u>
Operating Loss	(407,592)	(499,254)	91,662

**Highland Lakes Water District
Budgetary Comparison Schedule (Continued)
For the Year Ended December 31, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Nonoperating Revenues (Expenses)			
D&E Grant Revenue	8,428	8,428	-
Grant Revenues	683,682	840,638	(156,956)
Investment Income	24,000	24,353	(353)
General Property Tax	69,551	69,996	(445)
Interest Income on Taxes	100	77	23
Specific Ownership Tax	6,200	6,542	(342)
State Senior/Veteran's Funds	-	3,873	(3,873)
Audit	(5,500)	(5,400)	(100)
County Treasurer's Fee	(1,900)	(2,088)	188
Dues	(500)	(886)	386
Legal - Regular	(800)	(262)	(538)
Public Official Liability Insurance	(509)	(509)	-
State Fees	(310)	(350)	40
	<u>782,442</u>	<u>944,412</u>	<u>(161,970)</u>
Revenues Over Expenditures - Budgetary Basis	<u>\$ 374,850</u>	445,158	<u>\$ (70,308)</u>
Loan Principal Payments		77,408	
Net Income GAAP Basis		<u>\$ 522,566</u>	