Highland Lakes Water District
Divide, Colorado

FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

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Lance McMahon, CPA

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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, 2025, 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, 2025, 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.

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

Divide, Colorado
May 7, 2026

BASIC FINANCIAL STATEMENTS

Highland Lakes Water District
Statement of Fund Net Position
December 31, 2025

Assets	
Current Assets	
Cash and Cash Equivalents	$ 391,266
Customer Accounts Receivable	42,907
Grants Receivable	191,782
Property Taxes Receivable	78,036
Total Current Assets	703,991
Noncurrent Assets	
Capital Assets	
Depreciable	9,611,083
Total Capital Assets	9,611,083
Less accumulated depreciation	(5,015,699)
Net Capital Assets	4,595,384
Total Noncurrent Assets	4,595,384
Total Assets	5,299,375
Liabilities	
Current Liabilities	
Accounts Payable	23,186
Customer Prepayments	5,085
Accrued Interest Payable	3,289
Long-term debt - current portion	91,408
Total Current Liabilities	122,968
Noncurrent Liabilities	
Long-term debt	1,049,401
Total Long-Term Liabilities	1,049,401
Total Liabilities	1,172,369
Deferred Inflows of Resources	
Deferred Property Taxes	78,036
Total Deferred Inflows of Resources	78,036
Net Position	
Net investment in capital assets	3,454,575
Unrestricted	594,395
Total Net Position	$ 4,048,970

The accompanying notes are an integral part of these financial statements

Highland Lakes Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year Ended December 31, 2025

Operating Revenues		
Water Sales	$	318,861
Infrastructure Income		69,940
Other Resident Charges		19,747
Total Operating Revenues		408,548
Operating Expenses		
Source of Supply		149,116
Water Treatment		18,829
Transmission and Distribution		38,397
Administrative and General		124,276
Capital Outlay Expenses		6,398
Depreciation and amortization		283,519
Total Operating Expenses		620,535
Operating Loss		(211,987)
Nonoperating Revenues (Expenses)		
Nonoperating Revenues		1,005,466
Nonoperating Expenses		(11,223)
Total Nonoperating Revenues (Expenses)		994,243
Change in Net Position		782,256
Net Position, beginning of year		3,266,714
Net Position, end of year	$	4,048,970

The accompanying notes are an integral part of these financial statements

Highland Lakes Water District
Statement of Cash Flows
For the year Ended December 31, 2025

Cash Flows From Operating Activities	
Cash received from customers	$ 404,569
Cash paid for goods and services	(373,052)
Net cash provided (used) by operating activities	31,517
Cash Flows from Non-Operating Activities	
District Revenues and Expenses - Net	71,732
Net cash provided (used by) non-operating activities	71,732
Cash Flows From Capital and Related Financing Activities	
Acquisitions and construction of capital assets	(1,233,727)
Grant Proceeds	1,414,591
Principal paid on long-term debt	(88,726)
Net cash provided (used) in capital and related financing activities	92,138
Cash Flows From Investing Activities	
Investment income received	1,765
Net cash provided (used) by investing activities	1,765
Net Increase (decrease) in cash and cash equivalents	197,152
Cash and cash equivalents, beginning of year	194,114
Cash and cash equivalents, end of year	$ 391,266
Reconciliation of Operating Income (Loss) to Net Cash provided (Used) by Operating Activities	
Operating Loss	$ (211,987)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities	
Depreciation and amortization	283,519
Changes in assets and liabilities	
Accounts receivable	(6,005)
Accounts payable	(38,939)
Deferred revenue	4,658
Customer prepayments	271
Net Cash Provided (Used) by Operating Activities	$ 31,517

The accompanying notes are an integral part of this statement

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.

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, 2025, 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.

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.

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, 2025 through the date of the attached independent auditor's report, the date these financial statements were issued.

Note 2 – Cash and Investments

Cash Deposits

Cash and investments as of December 31, 2025 are classified in the accompanying financial statements as follows:

Cash and Investments	$	391,266
Deposits with financial institutions	$	364,073
Investments		27,193
	$	391,266

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, 2025, the District's cash deposits had a bank balance of $362,377 and a carrying balance of $364,073.

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.

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, 2025, the District had the following investments:

COLOTRUST PLUS+	$ 27,193

<u>COLOTRUST</u>

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 AAAf/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.

Note 3 - Grants Receivable

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

Grants receivable		
Drinking Water Revolving Fund Direct Loan	$	92,505
Drinking Water Revolving Fund Supplemental Loan		99,277
	$	191,782

Grants 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.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2025, is as follows –

	Balance at 12/31/2024	Additions	Deletions	Balance at 12/31/2025
Nondepreciable				
Construction in progress	$ 1,189,865		1,189,865	$ -
Total Nondepreciable	1,189,865	-	1,189,865	-
Depreciable				
Contributed Property	1,095,020	-	-	1,095,020
Collection, Transmission and Distribution System	2,388,221	-	-	2,388,221
Equipment	279,446	50,917	-	330,363
Water Rights and Augmentatioı	442,901	-	-	442,901
Water System Improvement	3,157,843	-	-	3,157,843
GWUDI	-	2,196,735	-	2,196,735
Total Depreciable	7,363,431	2,247,652	-	9,611,083
TOTAL	8,553,295	2,247,652	1,189,865	9,611,082
Less Accumulated Depreciation	(4,732,181)	(283,519)	-	(5,015,700)
Net Capital Assets	$ 3,821,114	$ 1,964,133	$ 1,189,865	$ 4,595,382

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 $149,685 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 $158,389 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. The loan was reduced by rescission in the amount of $40,851 in 2026. See Loan Principal Reduction subsequent event footnote.

Changes in Long-term debt during 2025 were as follows:

	Balance 12/31/2024	Additions	Reductions	Balance 12/31/2025	Due Within One Year
2015 CWRPDA	$ 907,253	$ -	$ 74,518	$ 832,735	$ 76,016
2023 CWRPDA	157,239	-	7,554	149,685	7,706
2024 CWRPDA	165,043	-	6,654	158,389	7,686
	$ 1,229,535	$ -	$ 88,726	$ 1,140,809	$ 91,408

Future Debt Service Requirements are as follows:

Year ending December 31	Principal	Interest	Total
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
	$ 1,140,809	$ 120,356	$ 1,261,165

Note 6 – Leases

The Highland Lakes Water district (HLWD) is party to a lease agreement with the Highland Lakes Property Owners Association (HLPOA), executed in February 2001, granting HLPOA the right to use certain reservoir properties for recreational purposes. The lease meets the definition of a lease under *GASB Statement No. 87*, *Leases*, as it conveys control of the right to use non-financial assets for a term of 99 years.

Lease Details:

- Underlying Asset: Reservoir properties including Elk Lake, Deer Lake, and Beaver Lakes 1–7, located in Teller County, Colorado.
- Lease Term: 99 years commencing upon property transfer.
- Purpose: Recreational use by HLPOA members, including hiking and fishing. Boats are allowed on Elk Lake only (electric motors < 5hp).
- Consideration: HLPOA shares cost of recreational maintenance (i.e. weed control) with HLWD. HLPOA shares cost of liability insurance with HLWD.
- Termination Provisions: Lease may be terminated for breach with a 30-day cure period; liquidated damages of $100 per incident apply to specific violations.

HLWD retains responsibility for dam safety, structural maintenance, and water quality management. While the lease does not involve fixed periodic payments, it includes shared responsibilities and obligations that reflect ongoing operational coordination between the parties.

Note 7 – 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 8 – 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 he 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 9 – Reclassifications

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

Note 10 – 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. The project was completed in 2025.

Note 11 – 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, 2025, the District was in compliance with the rate covenant as follows –

Operating Revenues		
Water sales and other resident charges	$	408,548
Non-operating/Misc. Income		82,833
Total Operating Revenues	$	491,381
Operating Expenses		
Operating expenses	$	614,137
Less - Water Hauling	$	(13,975)
Less - Depreciation		(283,519)
Total Operating Expenses	$	316,643
Revenues over (under) Expenses - Net	$	174,738
Debt Service		
Principal	$	88,726
Interest expense		20,565
	$	109,291
Rate Covenant Calculation		160%

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.

For the year ended December 31, 2025, the District satisfied the Operation and Maintenance Reserve requirement as follows –

Total Unrestricted Net Position	$	594,395
Current Assets		
Cash and cash equivalents	$	391,266
Grants receivable		191,782
Total Current Assets	$	583,048
Current Liabilities		
Accounts payable	$	23,186
Other		8,374
Total Current Liabilities	$	31,560
Current assets over current liabilities	$	551,488
Operating expenses	$	620,535
Less - depreciation		(283,519)
Operating expenses - net	$	337,016
		0.25
Three months reserve requirement	$	84,254
Excess available	$	467,234

Note 12 – Subsequent Event – Loan Principal Reduction

Subsequent to year end, the District's Drinking Water Revolving Fund loan was reduced by $114,899 due to unexpended GWUDI project funds, resulting in a corresponding reduction of outstanding principal and revised payment terms in the amount $40,851 effective January 27, 2026. This event did not require adjustment to the 2025 financial statements.

SUPPLEMENTARY INFORMATION

Highland Lakes Water District
Budgetary Comparison Schedule
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance
Enterprise Revenues			
Sale of Water	$ 330,700	$ 318,861	$ 11,839
Infrastructure Income	44,160	69,940	(25,780)
Connection Fees	1,000	500	500
Water Tap Fees	28,476	14,066	14,410
ISDS Fees	500	-	500
Turn On/Off Charges	400	225	175
Operator Time Repairs Reimbursement	5,300	954	4,346
Fees/Lt/Mtr Rdg/Int Chgs	3,100	2,890	210
Meter/Parts Repairs Reimbursement	400	1,112	(712)
Total Enterprise Revenues	414,036	408,548	5,488
Operating Expenses			
Source of Supply			
Water Operator Services	73,750	70,943	2,807
Water Hauling	10,000	13,975	(3,975)
Interest	20,960	20,565	395
Supplies	10,300	6,015	4,285
Purchased Services	14,900	22,699	(7,799)
Water Employee Wages	6,200	11,999	(5,799)
Weed Control in Wetlands	200	400	(200)
Lake Maintenance	2,700	2,520	180
Total Source of Supply	139,010	149,116	(10,106)
Water Treatment			
Testing	6,500	3,838	2,662
Chemicals and Supplies	3,000	14,991	(11,991)
Total Water Treatment	9,500	18,829	(9,329)
Transmission and Distribution			
Purchased Services	25,700	29,221	(3,521)
Supplies	9,000	9,176	(176)
Total Transmission and Distribution	34,700	38,397	(3,697)

Highland Lakes Water District
Budgetary Comparison Schedule (Continued)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance
Administration and General			
Office Administration	39,077	39,805	(728)
Electric	32,200	26,499	5,701
P&L Insurance	14,252	14,567	(315)
Director Fees	7,000	5,600	1,400
Bookkeeping Services	5,438	5,424	14
Bank Service Fees	1,800	1,834	(34)
Unemployment Insurance	89	248	(159)
Employment Taxes	3,464	9,350	(5,886)
Telephone/Internet	4,500	4,808	(308)
Gas	2,700	3,809	(1,109)
Miscellaneous	1,800	3,011	(1,211)
Mileage	3,216	2,269	947
General Supplies	2,700	2,222	478
Postage	2,500	2,055	445
Public News Required Publication	1,400	798	602
Trash	450	438	12
Postage for Publication	1,100	874	226
Legal - Water Rights	300	-	300
Computer/Printer	400	409	(9)
Legal - Augmentation	100	228	(128)
Meeting Rental	360	-	360
Election	250	28	222
	125,096	124,276	820
Capital Projects Expenses			
GWUDI Loan Costs	-	6,398	(6,398)
Improvement	554,827	-	554,827
Total Capital Projects Expenses	554,827	6,398	554,827
Other Expense			
Depreciation	306,185	283,519	22,666
Loan Principal	89,566	88,726	840
	395,751	372,245	23,506
Operating Loss	(844,848)	(300,713)	(544,135)

Highland Lakes Water District
Budgetary Comparison Schedule (Continued)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
District Revenues			
Grant Revenues	554,827	922,512	(367,685)
Investment Income	12,000	1,765	10,235
General Property Tax	73,378	70,235	3,143
State Senior/Veteran's Funds	-	4,129	
Interest Income on Taxes	100	121	(21)
Specific Ownership Tax	6,600	6,704	(104)
Total District Revenues	646,905	1,005,466	(354,432)
District Expenses			
Audit	(5,800)	(7,000)	1,200
County Treasurer's Fee	(2,000)	(2,156)	156
Dues	(900)	(948)	48
Legal - Regular	(200)	(130)	(70)
Public Official Liability Insurance	(639)	(639)	-
State Fees	(350)	(350)	-
Total District Expenses	(9,889)	(11,223)	1,334
Revenues Over Expenditures - Budgetary Basis	$ (854,737)	693,530	$ (542,801)
Loan Principal Payments		88,726	
Net Income GAAP Basis		$ 782,256	