HAVANA WATER & SANITATION DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

HAVANA WATER & SANITATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Havana Water and Sanitation District
Arapahoe County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Havana Water and Sanitation District (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2025, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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 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.

Fiscal Focus Partners, LLC

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Auditor's Responsibility

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

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information and other information (together, the information) as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
July 14, 2026

BASIC FINANCIAL STATEMENTS

HAVANA WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 1,489,559	$ 1,482,918	$ 2,972,477
Cash and Investments - Restricted	26,500	-	26,500
Lease Income Receivable	7,760	-	7,760
Receivable - County Treasurer	3,471	-	3,471
Receivable - Sewer Fees	-	17,272	17,272
Receivable - Sewer Fees Certified with County	-	4,788	4,788
Property Taxes Receivable	779,008	-	779,008
Capital Assets, Net	2,284	6,242,408	6,244,692
Total Assets	2,308,582	7,747,386	10,055,968
LIABILITIES			
Accounts Payable	288,581	857	289,438
Prepaid Sewer Service Fees	-	18,767	18,767
Retainage Payable	9,029	-	9,029
Total Liabilities	297,610	19,624	317,234
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	779,008	-	779,008
Total Deferred Inflows of Resources	779,008	-	779,008
NET POSITION			
Net Investment in Capital Assets	2,284	6,242,408	6,244,692
Restricted for:			
Emergency Reserves	26,500	-	26,500
Unrestricted	1,203,180	1,485,354	2,688,534
Total Net Position	$ 1,231,964	$ 7,727,762	$ 8,959,726

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues		Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities:						
General Government	$ 693,319	$ -	$ -	$ (693,319)	$ -	$ (693,319)
Transfer of Capital Assets	264,652	-	-	(264,652)	-	(264,652)
Total Governmental Activities	$ 957,971	$ -	$ -	(957,971)	-	(957,971)
Business-Type Activities:						
Wastewater Enterprise	$ 805,806	$ 974,492	$ 264,652	-	433,338	433,338
Total Business-Type Activities	$ 805,806	$ 974,492	$ 264,652	-	433,338	433,338
GENERAL REVENUES						
Property Taxes				737,814	-	737,814
Specific Ownership Taxes				40,344	-	40,344
Interest Income				65,085	58,592	123,677
Lease Income				29,511	-	29,511
Other Income				7,760	-	7,760
Total General Revenues				880,514	58,592	939,106
CHANGE IN NET POSITION				(77,457)	491,930	414,473
Net Position - Beginning of Year				1,309,421	7,235,832	8,545,253
NET POSITION - END OF YEAR				$ 1,231,964	$ 7,727,762	$ 8,959,726

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUND
DECEMBER 31, 2025

		General Fund
ASSETS		
Cash and Investments	$	1,489,559
Cash and Investments - Restricted		26,500
Lease Income Receivable		7,760
Receivable - County Treasurer		3,471
Property Taxes Receivable		779,008
Total Assets	$	2,306,298
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$	288,581
Retainage Payable		9,029
Total Liabilities		297,610
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes Revenue		779,008
Total Deferred Inflows of Resources		779,008
FUND BALANCES		
Restricted:		
Emergency Reserve		26,500
Assigned:		
Designated for Subsequent Year's Expenditures		182,291
Unassigned:		
General Government		1,020,889
Total Fund Balances		1,229,680
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	2,306,298

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances	$	1,229,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		2,284
Net Position of Governmental Activities	$	1,231,964

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025

	General Fund
REVENUES	
Property Taxes	$ 737,814
Specific Ownership Taxes	40,344
Interest Income	65,085
Lease Income	29,511
Other Income	7,760
Total Revenues	880,514
EXPENDITURES	
Accounting	33,000
Audit	7,750
County Treasurer's Fees	11,081
Customer Billing	53,547
Directors' Fees	2,900
District Management	51,240
Dues	1,238
Election	3,460
Engineering and Consulting	81,870
Insurance	28,170
Landscape Maintenance	2,150
Legal	28,993
Miscellaneous/Contingency	8,792
Postage/Printing	12,375
Repair and Maintenance	294,291
Storage Rent	4,620
Utilities	65,115
Website	2,023
Capital Outlay:	
Major Repairs/Capital Improvements	180,574
Engineering - Capital Related	84,078
Total Expenditures	957,267
NET CHANGE IN FUND BALANCE	(76,753)
Fund Balance - Beginning of Year	1,306,433
FUND BALANCE - END OF YEAR	$ 1,229,680

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balance - Governmental Fund	$	(76,753)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.		
Capital Outlay		264,652
Depreciation		(704)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Capital Assets Transferred to Enterprise Fund		(264,652)
Change in Net Position of Governmental Activities	$	(77,457)

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 738,110	$ 737,814	$ (296)
Specific Ownership Taxes	44,288	40,344	(3,944)
Interest Income	40,000	65,085	25,085
Lease Income	24,723	29,511	4,788
Other Revenue	-	7,760	7,760
Total Revenues	847,121	880,514	33,393
EXPENDITURES			
Accounting	33,000	33,000	-
Audit	7,750	7,750	-
County Treasurer's Fees	11,072	11,081	(9)
Customer Billing	55,000	53,547	1,453
Directors' Fees	3,000	2,900	100
District Management	62,370	51,240	11,130
Dues	1,500	1,238	262
Election	5,000	3,460	1,540
Engineering	98,000	81,870	16,130
Insurance	28,170	28,170	-
Landscape Maintenance	3,000	2,150	850
Legal	50,000	28,993	21,007
Miscellaneous/Contingency	15,538	8,792	6,746
Postage/Printing	10,000	12,375	(2,375)
Repair and Maintenance	277,000	294,291	(17,291)
Storage Rent	5,100	4,620	480
Utilities	75,000	65,115	9,885
Website	7,500	2,023	5,477
Engineering - Capital Related	200,000	84,078	115,922
Major Repairs/Capital Improvements	1,650,000	180,574	1,469,426
Total Expenditures	2,598,000	957,267	1,640,733
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,750,879)	(76,753)	1,674,126
OTHER FINANCING SOURCES (USES)			
Transfer from Other Funds	1,331,491	-	(1,331,491)
Total Other Financing Sources (Uses)	1,331,491	-	(1,331,491)
NET CHANGE IN FUND BALANCE	(419,388)	(76,753)	342,635
Fund Balance - Beginning of Year	1,243,053	1,306,433	63,380
FUND BALANCE - END OF YEAR	$ 823,665	$ 1,229,680	$ 406,015

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION –
PROPRIETARY FUND
DECEMBER 31, 2025

	Wastewater System Enterprise Fund
ASSETS	
Cash and Investments	$ 1,482,918
Receivable - Sewer Fees	17,272
Receivable - Sewer Fees Certified with County	4,788
Capital Assets, Net	6,242,408
Total Assets	7,747,386
LIABILITIES	
Accounts Payable	857
Prepaid Sewer Service Fees	18,767
Total Liabilities	19,624
NET POSITION	
Net Investment in Capital Assets	6,242,408
Unrestricted	1,485,354
Total Net Position	$ 7,727,762

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2025

	Wastewater System Enterprise Fund
OPERATING REVENUES	
Sewer Fees	$ 944,826
Reimbursements - Castlewood Sanitation	29,666
Total Operating Revenues	974,492
OPERATING EXPENSES	
Sewer Treatment	584,350
Depreciation	221,456
Total Operating Expenses	805,806
OPERATING INCOME	168,686
NONOPERATING REVENUES AND EXPENSES	
Interest Income	58,592
Total Nonoperating Revenues and Expenses	58,592
INCOME BEFORE CAPITAL CONTRIBUTION	227,278
CAPITAL CONTRIBUTION	
Capital Assets Transferred from the Governmental Fund	264,652
Total Capital Contribution	264,652
NET CHANGE IN NET POSITION	491,930
Net Position - Beginning of Year	7,235,832
NET POSITION - END OF YEAR	$ 7,727,762

See accompanying Notes to Basic Financial Statements.

HAVANA WATER & SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 967,062
Payments to Suppliers	(583,937)
Net Cash Provided by Operating Activities	383,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Tap Fees Paid to Metro Water Recovery	(60,720)
Net Cash Used by Capital and Related Financing Activities	(60,720)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	58,592
Net Cash Provided by Investing Activities	58,592
NET INCREASE IN CASH AND INVESTMENTS	380,997
Cash and Investments - Beginning of Year	1,101,921
CASH AND INVESTMENTS - END OF YEAR	$ 1,482,918
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 168,686
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	221,456
(Increase) Decrease in Assets:	
Accounts Receivable	(8,361)
Increase (Decrease) in Liabilities:	
Accounts Payable	413
Prepaid Sewer Service Fees	931
Net Cash Provided by Operating Activities	$ 383,125
NONCASH CAPITAL FINANCING ACTIVITIES	
Contributed Capital Assets	$ 264,652

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Havana Water & Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District provides sewer services to its residents. Water services are provided by the City and County of Denver acting through its Board of Water Commissioners.

The original Service Plan for Havana Water & Sanitation District (the District) was approved by the Board of County Commissioners of Arapahoe County in 1969 (the Original Service Plan). On December 14, 2021, the Board of County Commissioners for the County of Arapahoe approved the First Amendment to Service Plan for Havana Water & Sanitation District (First Amendment). The First Amendment in intended to be read in conjunction with the Original Service Plan.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District has no employees, and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant, and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major proprietary fund:

The Wastewater System Enterprise Fund accounts for wastewater operations that are financed and operated in a manner where the intent of the District is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District’s Board of Directors holds a public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. 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 budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits, certificate of deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Property Taxes

Property taxes are levied by the District 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 before December 15 by certification to the County Commissioners to put the tax lien on the individual properties 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 if in equal installments, at the taxpayer’s election, in February and June.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenue is recorded as revenue in the year they are available or collected.

Accounts Receivable, Allowance for Doubtful Accounts

Tap fees and sewer fees constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the state of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Capital Assets

Capital assets, which include distribution and collection systems and machinery and equipment, are reported as assets on the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Distribution and Collection Systems	40 Years
Machinery and Equipment	7 Years
Landscape Improvements	15 Years

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, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* (Statement 102). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:		
Cash and Investments	$	2,972,477
Cash and Investments - Restricted		26,500
Total Cash and Investments	$	2,998,977

Cash and investments as of December 31, 2025, consist of the following:

Deposits with Financial Institutions	$	134,017
Investments		2,864,960
Total Cash and Investments	$	2,998,977

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. 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 at least 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.

At December 31, 2025, the District’s cash deposits had a bank balance and a carrying balance of $134,017.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 noted with an asterisk (*) 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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless 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 United States, certain U.S. government agency securities, and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation
. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

As of December 31, 2025, the District had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 2,864,960

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. 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 Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District holds all its investments in the COLOTRUST PLUS+ portfolio.

NOTE 4 CAPITAL ASSETS

The following is an analysis of the changes in the District's capital assets for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Deletions	Balance at December 31, 2025
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Construction in Process	$ 1,747,990	$ 264,652	$ -	$ 2,012,642
Total Capital Assets, Not Being Depreciated	1,747,990	264,652	-	2,012,642
Capital Assets, Being Depreciated:				
Collection System	2,025,250	-	-	2,025,250
Lift Station	4,455,487	-	-	4,455,487
Sewer Force Main	3,492,981	-	-	3,492,981
Total Capital Assets, Being Depreciated	9,973,718	-	-	9,973,718
Less Accumulated Depreciation for:				
Collection System	(1,797,190)	(22,961)	-	(1,820,151)
Lift Station	(2,332,151)	(111,170)	-	(2,443,321)
Sewer Force Main	(1,393,155)	(87,325)	-	(1,480,480)
Total Accumulated Depreciation	(5,522,496)	(221,456)	-	(5,743,952)
Total Business-Type Activities Capital Assets, Net	$ 6,199,212	$ 43,196	$ -	$ 6,242,408
GOVERNMENTAL ACTIVITIES				
Capital Assets, Being Depreciated:				
Landscape Improvements	$ 10,553	$ -	$ -	$ 10,553
Total Capital Assets, Being Depreciated	10,553	-	-	10,553
Less Accumulated Depreciation for:				
Landscape Improvements	(7,565)	(704)	-	(8,269)
Total Accumulated Depreciation	(7,565)	(704)	-	(8,269)
Total Governmental Activities Capital Assets, Net	$ 2,988	$ (704)	$ -	$ 2,284

For the year ended December 31, 2025, depreciation expense was charged to the wastewater operations and governmental activities of the District in the amount of $221,456 and $704, respectively.

NOTE 5 LONG-TERM OBLIGATIONS

Authorized Debt

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water or sewer). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. At December 31, 2025, the District had no current authorized and unissued debt.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets, calculated as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets:		
Capital Assets, Net	$ 2,284	$ 6,242,408
Total	$ 2,284	$ 6,242,408

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of $26,500 as of December 31, 2025.

The District’s unrestricted net position as of December 31, 2025, totaled $2,688,534.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Water Operations

The District has entered into a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver) and has transferred its ownership and substantially all of its rights in the water system to Denver. Denver is responsible for all maintenance and bills the users directly.

Sewer Operations

The District is a “special connector” by agreement with Metro Water Recovery (Metro), which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by a formula against the District on an estimated basis. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Sewer Operations (Continued)

The composition of the charges for 2025 is as follows:

Estimated for Current Year	$	603,241
Less: Decrease in 2024 Revised Estimate		(8,822)
Less: Decrease in 2023 Final Adjustment		(10,069)
Total Annual Charge	$	584,350

The annual charge for 2026 was estimated by Metro at $644,930, with an estimated net payment of $578,783.

Construction Commitments

As of December 31, 2025, the District has remaining construction contract commitments of $1,304,415.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 8, 1994, a majority of the District's electors authorized the District to collect, retain and spend revenue (including interest earnings) from tap fees it receives each year for capital and debt service purposes without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District operates a wastewater activity enterprise (Enterprise) under Title 37, Article 45.1, C.R.S., to perform the functions of and to carry out certain wastewater activities of the District, including but not limited to payment for facilities for the collection and treatment of wastewater and provision of wholesale or retail wastewater services. The Enterprise, as an enterprise under Section 20 of the Colorado Constitution, may receive under 10% of its annual revenue in grants from all Colorado state and local governments combined. The Enterprise is authorized to issue its own revenue bonds. The Enterprise has been created to operate the wastewater collection facilities of the District. Prior to the creation of the Enterprise, all wastewater activities were undertaken directly by the District.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

HAVANA WATER & SANITATION DISTRICT
ENTERPRISE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sewer Fees	$ 919,201	$ 944,826	$ 25,625
Interest Income	21,000	58,592	37,592
Reimbursements - Castlewood Sanitation	29,596	29,666	70
Total Revenues	969,797	1,033,084	63,287
EXPENDITURES			
Sewer Treatment	584,350	584,350	-
Total Expenditures	584,350	584,350	-
OTHER FINANCING SOURCES (USES)			
Transfer to Other Fund	(1,331,491)	-	1,331,491
Total Other Financing Sources (Uses)	(1,331,491)	-	1,331,491
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES - BUDGET BASIS	$ (946,044)	448,734	$ 1,394,778
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS			
Depreciation		(221,456)	
Capital Assets Transferred from the Governmental Fund		264,652	
CHANGE IN NET POSITION		491,930	
Net Position - Beginning of Year		7,235,832	
NET POSITION - END OF YEAR		$ 7,727,762	

OTHER INFORMATION

HAVANA WATER & SANITATION DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2021	$ 155,924,957	4.227	$ 659,094	$ 659,082	100.00 %
2022	164,226,143	4.227	694,184	691,710	99.64
2023	156,852,670	4.227	663,016	665,448	100.37
2024	193,799,888	3.610 (1)	699,617	699,440	99.97
2025	193,628,136	3.812 (2)	738,110	737,814	99.96
Estimated for the Year Ending December 31, 2026	$ 188,576,186	4.131 (3)	$ 779,008		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

(1) This is net of a temporary mill levy reduction of 0.617 mills.

(2) This is net of a temporary mill levy reduction of 0.415 mills.

(3) This is net of a temporary mill levy reduction of 0.096 mills.