



Lake Livingston Water Supply Corporation

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2025 and 2024



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CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
1307 South 1st Street
Lufkin, TX 75901

936.634.6621
CRLadv.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Livingston Water Supply Corporation
Livingston, Texas

Opinion

We have audited the accompanying financial statements of Lake Livingston Water Supply Corporation (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Livingston Water Supply Corporation as of December 31, 2025, and the changes in its net assets and its cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lake Livingston Water Supply Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Lake Livingston Water Supply Corporation for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2025.

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 Lake Livingston Water Supply Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 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, including omissions, 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 and *Government Auditing Standards*, 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 Lake Livingston Water Supply Corporation'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 Lake Livingston Water Supply Corporation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Water Usage Details and Statistics is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
April 23, 2026

Lake Livingston Water Supply Corporation Statements of Financial Position

<i>December 31,</i>	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,017,601	\$ 621,331
Accounts receivable (net of allowance for doubtful accounts of \$37,966 for 2025 and 2024)	879,379	861,767
Prepaid expenses	424,991	354,034
Inventory	495,093	398,962
Total current assets	2,817,064	2,236,094
Reserve Funds		
Cash and cash equivalents	2,697,459	2,103,305
Total reserve funds	2,697,459	2,103,305
Property, Plant and Equipment		
Land	928,111	928,111
Buildings	1,793,081	1,768,321
Water supply and distribution	37,143,047	36,667,935
Transportation equipment	1,067,268	927,952
Office furniture and equipment	427,129	425,778
Construction in progress	3,905,226	3,905,226
Capital lease asset	95,058	95,058
Total property, plant and equipment	45,358,920	44,718,381
Less: Accumulated depreciation and amortization	(19,930,564)	(18,923,649)
Total net property, plant and equipment	25,428,356	25,794,732
Other Assets		
Investments - CoBank	125,482	144,263
Total other assets	125,482	144,263
Total assets	\$ 31,068,361	\$ 30,278,394
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable - Trade	\$ 162,712	\$ 63,400
Other accrued liabilities	448,503	394,244
Customer deposits	359,839	320,989
Current portion of long-term debt	1,349,952	1,779,117
Total current liabilities	2,321,006	2,557,750
Long-Term Liabilities		
Long-term debt, net	10,981,822	11,108,685
Total long-term liabilities	10,981,822	11,108,685
Total liabilities	13,302,828	13,666,435
Restricted Net Assets		
Membership certificates	819,550	792,550
Retained Earnings		
Reserved	2,697,459	2,103,305
Unreserved	14,248,524	13,716,104
Total retained earnings	16,945,983	15,819,409
Total members' equity	17,765,533	16,611,959
Total liabilities and members' equity	\$ 31,068,361	\$ 30,278,394

The notes to financial statements are an integral part of these statements.

Lake Livingston Water Supply Corporation Statements of Activities

<i>For the years ended December 31,</i>	2025	2024
Operating Income		
Water revenues	\$ 7,167,074	\$ 6,750,417
Tap fees	172,625	158,925
Late charges, and return check charges	103,921	84,857
Disconnect fees	40,300	33,700
Other income	140,828	118,107
Total operating income	7,624,748	7,146,006
Operating Expenses		
Annual meeting	1,074	5,211
Bad debts	54,019	52,381
Bank fees	4,244	1,811
Board of Directors expenses and fees	38,449	39,814
Chemical usage	191,002	85,657
Coffee and other employee benefits	1,321	2,047
Communications and telephone	41,307	44,347
Commitment fees	2,087	1,017
Computer operations	48,445	52,687
Customer relations	33,064	26,697
Depreciation	1,129,332	1,019,608
Dues and subscriptions	17,139	5,831
Education	6,995	14,197
Flower fund	309	387
Insurance	556,447	530,942
Inventory adjustments	319	5,637
Laboratory testing	94,233	89,325
Legal and professional services	210,770	176,450
Meals and travel	5,420	705
Office supplies	23,694	27,633
Operational fees	22,596	27,128
Other	41,045	36,583
Payroll taxes	165,543	153,867
Penalties and fines	16,396	-
Pension - 401(k)	50,685	44,315
Postage	28,872	22,398
Rent	31,216	24,993
Repairs and maintenance	815,283	787,875
Salaries and wages	2,279,882	2,122,809
Uniform services	7,776	11,407
Utilities	227,981	213,014
Vehicle	179,205	148,712
Water purchases and standby fees	92,363	419,200
Water production fees	12,253	36,305
Total operating expenses	6,430,766	6,230,990
Operating income	1,193,982	915,016
Other Income (Expenses)		
Dividend income - CoBank	12,799	30,512
Interest income	45,937	19,315
Interest expense	(242,542)	(227,373)
Gain (loss) on disposition of assets	5,500	-
Other income	110,898	109,011
Total other income (expenses)	(67,408)	(68,535)
Restricted Net Assets		
Membership Certificates		
Balance - Beginning of the year	792,550	760,600
Net additions	27,000	31,950
Restricted net assets balance - end of year	819,550	792,550
Change in net assets	1,153,574	878,431
Unrestricted net assets, beginning of year	16,611,959	15,733,528
Net assets, end of year	\$ 17,765,533	\$ 16,611,959

The notes to financial statements are an integral part of these statements.

Lake Livingston Water Supply Corporation Statements of Cash Flows

<i>For the years ended December 31,</i>	2025	2024
Cash Flows from Operating Activities		
Cash received from members	\$ 7,607,136	\$ 7,063,558
Cash paid for payroll and related taxes	(2,440,085)	(2,290,496)
Cash paid to suppliers for operating expenses	(2,873,100)	(3,038,749)
Interest, dividends and grants received	169,634	158,838
Interest paid	(200,752)	(182,582)
Net cash provided by operating activities	2,262,833	1,710,569
Cash Flows from Investing Activities		
Cash payments for the purchases of fixed assets	(757,456)	(3,271,809)
Proceeds from retirements of investments	18,781	12,954
Net cash (used) by investing activities	(738,675)	(3,258,855)
Cash Flows from Financing Activities		
Proceeds from debt issuance	-	-
Principal payments on long-term debt	(599,584)	(848,730)
Increase in membership fees	27,000	31,950
Increase (decrease) in customer deposits	38,850	28,150
Net cash (used) by financing activities	(533,734)	(788,630)
Net increase (decrease) in cash and cash equivalents	990,424	(2,336,916)
Cash and cash equivalents, beginning of year	2,724,636	5,061,552
Cash and cash equivalents, end of year	\$ 3,715,060	\$ 2,724,636
Reconciliation of Change in net assets to Net Cash Provided by Operating Activities		
Change in net assets	\$ 1,126,574	\$ 846,481
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Amortization - Debt issue costs	43,556	43,556
Depreciation	1,129,332	1,019,608
(Gain) loss on disposition of assets	(5,500)	255,133
(Increase) decrease in accounts receivable and unbilled revenue	(17,612)	(82,448)
(Increase) decrease in prepaid expenses	(70,957)	(68,646)
(Increase) decrease in inventory	(96,131)	(80,368)
Increase (decrease) in accounts payable	99,312	(254,477)
Increase (decrease) in accrued liabilities	54,259	31,730
Total adjustments	1,136,259	864,088
Net cash provided by operating activities	\$ 2,262,833	\$ 1,710,569

The notes to financial statements are an integral part of these statements.

Lake Livingston Water Supply Corporation Notes to Financial Statements

Note A: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Lake Livingston Water Supply Corporation (the "Corporation") is a member-owned non-profit corporation incorporated pursuant to the provisions of Texas Water Code Chapter 67, for the purpose of furnishing a potable water. The Corporation provides water to 7,388 members in Polk, Hardin, Liberty, San Jacinto, Trinity, and Walker County areas. The Corporation has 73 water plants serving 113 subdivisions. The Corporation's water quality is regulated by the Texas Commission on Environmental Quality ("TCEQ").

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles, in all material respects.

Cash and Cash Equivalents

Cash and cash equivalents represent all cash on hand and in banks and all short-term, highly liquid investments that are readily convertible to known amounts of cash within three months or less.

Accounts Receivable

Accounts receivable are carried at cost. The Corporation uses the allowance method to account for uncollectible accounts. Receivables from employees and others not incurred while providing water service is reported as other receivables on the balance sheet (none as of December 31, 2025 and 2024). There was approximately \$37,966 of receivables 90 days or more past due at December 31, 2025 and 2024, shown in the allowance account. Accounts deemed uncollectible are offset with the respective customer deposit and any amount remaining is charged off as a bad debt.

Inventory

Inventory is comprised of spare meters and supplies used in maintenance and operations and is carried at cost, which is the lower of cost or net realizable value on a first in first out basis. As inventory is used, it is expensed to operations.

Property and Equipment

Property, plant, and equipment are recorded at cost. Major renewals and betterments including the original cost of construction or installation, the cost of contracted services, direct labor and materials, and appropriate overhead items are charged to the property accounts while replacements, maintenance and repairs which do not extend the life of the respective assets are expensed currently.

Property, plant, and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Construction in progress is accumulated in an asset account, "construction in progress," until such time as the additions to plant and equipment are complete and placed in service. Upon placing the asset in service it is transferred to the appropriate fixed asset account and depreciated. The corporation capitalizes interest amounts incurred due to long-term construction to the assets being constructed. These costs are included in construction in progress until the asset is placed in service.

Lake Livingston Water Supply Corporation Notes to Financial Statements (Continued)

Note A: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

For financial reporting purposes, provisions for depreciation of utility plant are determined using the straight-line method at rates applied to individual classes of property in accordance with depreciable lives established by the TCEQ. Depreciation of non-utility property and equipment is recorded using various straight-line methods. Depreciation lives are as follows:

Water supply and distribution system	5 - 20 years
Buildings	30 years
Office furniture and equipment	5 - 7 years
Transportation	5 years

Investments

Investment in CoBank is accounted for using the original cost. This method results in carrying amount that approximates the fair value due to the investment in CoBank being a condition of the note payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code of 1986 and no provision for federal income tax has been made in the accompanying financial statements. Financial Accounting Standards Board Codification Section 740 requires recognition, measurement and disclosure of uncertain tax positions. The Corporation currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has not determined that any tax positions require an accrual based on current standards of accounting. The Corporation is generally no longer subject to Federal tax examination for years before 2020.

Comprehensive Income

The Corporation has no items of comprehensive income other than income from normal operations; therefore, comprehensive income is equal to net income and no statement of comprehensive income is presented.

Revenue Recognition

The Corporation follows the guidance in ASC 606 revenues from contracts with customers. The Corporation's policies with respect to its various revenue streams are detailed below. In general, the Corporation applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Gross revenues for water sales to retail customers, who are members of the Corporation, are recognized as the Corporation transfers the promised water to the customer. The Corporation's performance obligation with the customer is satisfied over time.

Lake Livingston Water Supply Corporation Notes to Financial Statements (Continued)

Note A: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Variable components of transaction price, such as late fees, are not recognized until uncertainty around the Corporation's right to charge them are resolved. Because the Corporation bills its customers monthly as water is consumed and because pricing is reflective of market conditions and value delivered to the customer, management has elected to apply the invoicing practical expedient to recognize revenue.

The Corporation accrues for revenues to the extent deliveries have occurred but for which a bill has not been issued. The amount of estimated revenue accrued would represent the revenue associated with the water consumed by the members in the current month, but not billed until the following month.

Accounts receivable represents sales of water and other charges made to members. They are recorded at the amount billed less an allowance for uncollectible accounts. An allowance is provided for accounts which management estimates there is doubt as to their collections (allowance for bad debts). This estimate is based on knowledge of particular customers as well as historical losses on accounts. The Corporation does not assess interest on past due accounts receivable. Approximately \$8,586 and \$10,376 of accounts receivable were past due more than 60 days at December 31, 2025 and 2024, respectively.

NOTE B - LONG-TERM DEBT

At December 31, 2025 and 2024, the Corporation was liable for the following long-term debt:

<u>December 31,</u>	<u>2025</u>	<u>2024</u>
Advances on CoBank revolving line of credit	\$ 100,000	\$ 600,000
Single advance term loan of \$1,642,826 from CoBank to refinance the United States Department of Agriculture Rural Utilities Service (USDA) loan for capital improvements, due April 20, 2026; principal and interest payable monthly, variable interest; secured by all real and personal property of the Corporation	51,393	203,343
Single advance term loan of \$1,250,000 from CoBank to refinance the United States Department of Agriculture Rural Utilities Service (USDA) loan for capital improvements, due February 20, 2030; principal and interest payable monthly, variable interest; secured by all real and personal property of the Corporation	1,066,173	-
Multiple advance water system revenue bonds, taxable series 2007, issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2039 with first maturity due in December, 2010; callable at 100 on December 1, 2017; interest at 0%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation; \$17,500,000 total approved issue; \$710,086 available for issue at December 31, 2018	9,690,000	10,525,000
Single advance water system revenue bonds taxable series 2013, \$3,130,000 issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2034 with first maturity due in December 2015; callable at 100 on December 1, 2023; interest at 0.95-4.73%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation	1,830,000	1,990,000
Capital lease Pitney Bowes postage meter issued through and payable to Pitney Bowes; maturing annually through September 6, 2027 with the first maturity due in September 2022; interest at 3.60%	24,685	38,109
Capital Lease Texas Document Solutions copier issued through and payable to Texas Document Solutions, Inc.; maturing annually through March 11, 2029 with the first maturity due in March 2024 ; interest at 4.31%	19,182	24,565
TOTAL NOTES PAYABLE	12,781,433	13,381,017
Less current maturities	(1,349,952)	(1,779,117)
Less debt issue costs	(449,659)	(493,215)
	\$ 10,981,822	\$ 11,108,685

The Corporation has a \$1,000,000 revolving line of credit with CoBank to finance the operating needs of the Corporation. The line of credit is a supplement to the master loan agreement dated April 1, 1997, bears interest at a variable rate and matures March 1, 2023 and was extended for an additional year before the date of the audit report. The Corporation had a balance of \$100,000 drawn on the line as of December 31, 2025.

Lake Livingston Water Supply Corporation Notes to Financial Statements (Continued)

NOTE B - LONG-TERM DEBT (Continued)

The CoBank notes contain various covenants including but not limited to the maintenance of certain debt service and operating ratios, future incurrence of debt or long-term leases, the maintenance of a debt cash reserve, and changes in the corporate structure. In the event the Corporation fails to comply with these covenants and other restrictions, it could be in default under the agreements, and substantially all of its debt maturities could be accelerated. In addition, if the Corporation prepays all or any portion of the notes, prepayment penalties will be assessed by CoBank.

The covenant with CoBank relating to the reserve cash account requires the Corporation to establish and maintain a reserve balance of \$150,000. CoBank has a security interest in these accounts and, in the event of default, the right to claim these funds. As of December 31, 2025 the balance in the reserve account was \$202,228 and is included in reserve funds on the accompanying statement of financial position.

The loan agreement with CoBank requires the Corporation to purchase non-voting participation certificates in CoBank. Equity is earned through patronage dividends and can be redeemed by CoBank after the loan is paid in full. These dividends are accrued annually using an estimate provided by CoBank; estimated dividends for 2025 and 2024 were approximately \$6,074 and \$2,360, respectively. The Corporation held \$130,975 and \$136,171 of patronage certificates at December 31, 2025 and 2024, respectively. These are included in investments on the accompanying statements of net position.

The 2007 water system revenue bond order with the Texas Water Development Board requires the maintenance of a reserve fund in an amount at least equal to the average annual debt service requirements of the bonds and any additional bonds issued. The reserve is to be funded over a 60-month period with monthly deposits of \$9,722 beginning October 25, 2007. At December 31, 2024, the Corporation had deposited the required reserve to-date of \$730,487, shown as reserve funds on the accompanying balance sheet. The bond order also requires that all funds and reserve funds established pursuant thereto will be secured by a pledge by a financial institution of general obligations of the United States or obligations unconditionally guaranteed by the United States or be invested as provided in the Public Funds Investment Act Chapter 2256, Texas Government Code (PFIA). As of December 31, 2023, the reserve funds were invested in interest-bearing transaction and certificate of deposit accounts in financial institutions the accounts are 100% insured by the Federal Deposit Insurance Corporation and as such are authorized investments under the PFIA.

Debt issue costs of \$922,263 were incurred in connection with the series 2007 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$1,055,000. They are being amortized to interest expense over a 30-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. During 2025 and 2024, approximately \$31,350 and \$31,350 was amortized to interest expense.

Debt issue costs of \$244,104 were incurred in connection with the series 2013 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$3,130,000. Debit issues costs are being amortized to interest expense over a 21-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. Approximately \$11,624 and \$11,624 was amortized to interest expense during December 31, 2025 and 2024, respectively.

Lake Livingston Water Supply Corporation Notes to Financial Statements (Continued)

NOTE B - LONG-TERM DEBT (Continued)

The 2013 water system revenue bond order with the Texas Water Development Board requires the maintenance of escrow accounts regarding the obligations of the 2013 series bonds and loan forgiveness grant. The escrow accounts are to be maintained at a bank on behalf of the Corporation and TWDB and shall not be commingled with any other accounts or with any other proceeds or funds. The escrowed funds are held for the purpose of replacing existing water meters and amounts shall be disbursed in accordance with the bond order and solely upon written authorization from the TWDB. The funds in escrow are to be held in an authorized institution and invested in accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256 and Public Funds Collateral Act, Texas Government Code, Chapter 2257(PFIA). Accordingly, at December 31, 2022, the escrowed funds were invested in short term cash management funds which are invested in U.S. Government obligations, which qualify as permissible investments under the PFIA. The escrowed funds amounted to \$204,373 and \$204,373 at December 31, 2025 and 2024, respectively, and is included in reserve funds on the accompanying statements of net position.

The Corporation has lease agreements for copiers and for postage meters that have monthly payments of \$528 and \$1,215 respectfully. The copier lease began March 2024 and is ongoing for 60 months. The postage meter lease started in September 2022 and is ongoing for 60 months.

Approximate maturities of long-term debt principal at December 31, 2025 for the next five years are as follows:

	Notes	Revenue Bonds	Line of Credit	Capital Leases	Total
Fiscal Years Ending					
December 31, 2026	\$ 72,872	\$ 1,257,546	\$ -	\$ 19,534	\$ 1,349,952
December 31, 2027	-	1,276,670	-	16,636	1,293,306
December 31, 2028	-	1,301,560	-	6,124	1,307,684
December 31, 2029	-	1,322,538	-	1,573	1,324,111
December 31, 2030	-	1,102,860	-	-	1,102,860
Thereafter	-	6,325,000	100,000	-	6,425,000
Totals	\$ 72,872	\$ 12,586,174	\$ 100,000	\$ 43,867	\$ 12,802,913

Note C: EMPLOYEE BENEFIT PLANS

During 1998, the Corporation established a 401(k) retirement plan for the benefit of substantially all of its employees. Under the plan and trust document, the employee may elect to reduce their salary by contributions to the plan. In 2007, the plan was amended to require employer matching contributions. Employer contributions are 35% of the first 6% of the respective employees' salary reduction. The Corporation may elect to make a discretionary contribution to the plan. For the years ended December 31, 2025 and 2024, the Corporation contributed \$50,685 and \$44,315 to the plan, respectively.

For the year ended December 31, 2025 and 2024, the Corporation paid approximately \$416,886 and \$400,141, respectively, in health insurance premiums for the employees. This amount is included in insurance expense on the accompanying income statement.

Note D: CONCENTRATIONS

Substantially all of the Corporations revenue is derived from water sales to its members in Polk County, Texas and surrounding counties. The economic conditions in these areas have a large effect on the results of operations of the Corporation.

Lake Livingston Water Supply Corporation Notes to Financial Statements (Continued)

Note E: COMMITMENTS AND CONTINGENCIES

Raw Water Supply Contract

In August, 2007, the Corporation entered into a "Raw Water Supply Contract" with the Trinity River Authority of Texas (the Authority). The purpose of the contract is to provide an additional source of water supply for the Corporation. The basic terms of the contract provide the Corporation with the right to purchase raw water from Livingston Reservoir at the Authority's rates in effect over the following periods and in the following amounts:

Fiscal Years	Average Daily Amounts	Total Annual Amounts in Acre-Feet (AF)
2021 - 2025	0.797 MGD	893 AF/Year
2026 - 2030	0.815 MGD	913 AF/Year
2031 - 2035	0.833 MGD	933 AF/Year
2036 - 2040	0.852 MGD	954 AF/Year

The acronym "MGD" means millions of gallons per day and the acronym "AF" means acre-feet.

The Corporation did not purchase any raw water in 2025 or 2024.

The contract also provides for the Corporation to pay annual standby fees to the Authority that are calculated pursuant to formulas based upon the amount of water that the Authority is obligated to sell to the Corporation on each annual basis. Standby fees are assessed whether or not the Corporation purchases any water. For the year ended December 31, 2025 and 2024, the Corporation incurred approximately \$82,000 and \$82,000 in standby fees, respectively.

The contract expires on December 1, 2040.

Note F: SUBSEQUENT EVENTS

Subsequent to the year-end the Corporation entered into a new loan agreement with CoBank in the amount of \$1,250,000 to help finance ongoing capital expenditures for the Corporation. This agreement was entered on February 26, 2025, and is to be repaid in monthly installments for 60 months starting March 20, 2025.

Management has evaluated subsequent events through April 23, 2026, the date the financial statements were available to be issued.

Lake Livingston Water Supply Corporation Schedule of Water Usage Details and Statistics

	2025	2024
Total Gallons of Water Pumped	615,367,000	604,824,000
Total Gallons of Water Sold	231,851,000	241,027,000
Total Gallons of Water Used for Flushing Lines	45,696,885	48,088,966
Total Number of Active Connections	7,604	7,593
Average Consumption per Connection	30,489	31,743
Water Loss Due to Flushing Lines	8.8%	8.0%
Total Water Loss Percentage	62.3%	60.1%

See independent auditor's report.