

**EAST LOGAN WATER DISTRICT**

**A COMPONENT UNIT OF  
LOGAN COUNTY, KENTUCKY**

**COMPILED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2024**

**EAST LOGAN WATER DISTRICT  
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY  
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FOR THE YEAR ENDED DECEMBER 31, 2024**

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## ACCOUNTANTS' COMPILATION REPORT

Commissioners  
East Logan Water District  
Russellville, Kentucky

Management is responsible for the accompanying financial statements of the business-type activities of the East Logan Water District, as of and for the year ended December 31, 2024, 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 accordance with the accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The 2023 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated March 11, 2024. We have not performed any auditing procedures since that date.

We are not independent with respect to East Logan Water District.

Respectfully submitted,

*Buckles, Travis & Hart, PLLC*

Buckles, Travis & Hart, PLLC  
Certified Public Accountants  
Leitchfield, Kentucky  
March 15, 2025

**EAST LOGAN WATER DISTRICT  
RUSSELLVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND DECEMBER 31, 2023**

As management of the East Logan Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2024 and 2023. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the compilation.

The information in this MD&A is presented under the following headings:

- Organization and Business
- Financial Highlights
- Overview of the Financial Statements
- Financial Analysis of the District
- Capital Assets and Debt Administration
- Budget Analysis
- Factors Impacting Future Periods
- Request for Information

***ORGANIZATION AND BUSINESS***

East Logan Water District is a component unit of county government of Logan County, Kentucky. The District currently maintains approximately 300.00 miles of distribution lines and provides water distribution services for approximately 3,400 users in eastern and northern Logan County, Kentucky. The water district purchases 100% of its water from the Logan Todd Regional Water Commission, a state of the art regional provider of high-quality water. The District in turn distributes and resells the water to industrial, commercial and residential users.

***FINANCIAL HIGHLIGHTS***

- The total assets of the District exceeded the total liabilities by \$10,162,261 for 2024 and \$10,017,695 for 2023.
- Based on the GASB 34 model of measuring net position, the total net position of the District increased \$144,566 for 2024 and increased \$490,744 for 2023.
- The operating revenues and operating expenses were stable in the current year resulting in amounts comparable to the prior year.
- The District purchases all water from the Logan Todd Regional Water Commission. The District maintained a cost of water percentage relative to water sales of 47% for 2024 and 47% for 2023.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

The discussion and analysis is intended to serve as an introduction to the East Logan Water District's basic financial statements. The District's basic financial statements are comprised of two components: (1) Basic Financial Statements and (2) Notes to the Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

The Financial Statements of the District report information utilizing the full accrual basis of accounting. This method of accounting recognizes revenues when earned instead of when received and recognizes expenses when incurred rather than when paid. The Financial Statements conform to accounting principles, which are generally accepted in the United States of America.

The Statements of Net Position include information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses, and Changes in Net Position present the results of the District's operations over the course of the operating cycle. These statements can be used to determine whether the District has successfully recovered all of its actual cost including depreciation through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and delayed payment of current year expenses.

The third financial statements are the Statements of Cash Flows. These statements provide information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash balance for the operating cycle.

#### ***FINANCIAL ANALYSIS OF THE DISTRICT***

Net position at December 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Current and other assets	\$ 4,978,590	\$ 4,584,807
Capital assets	5,798,338	6,147,042
<b>Total Assets</b>	<b>10,776,928</b>	<b>10,731,849</b>
Long-term obligations	158,000	192,000
Other liabilities	456,667	522,154
<b>Total Liabilities</b>	<b>614,667</b>	<b>714,154</b>
Net position		
Net investment in capital assets	5,606,338	5,922,042
Restricted	2,187,968	2,037,919
Unrestricted	2,367,955	2,057,734
<b>Total Net Position</b>	<b>\$10,162,261</b>	<b>\$10,017,695</b>

Changes in Net Position for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Revenues		
Water service revenues	\$ 2,224,919	\$ 2,185,992
Other revenues	45,640	26,622
<b>Total Operating Revenues</b>	<u>2,270,559</u>	<u>2,212,614</u>
Expenses		
Water operations	2,364,326	2,169,383
<b>Total Operating Expenses</b>	<u>2,364,326</u>	<u>2,169,383</u>
<b>Net Operating Income</b>	(93,767)	43,231
Non-operating revenues (expenses), net	<u>140,699</u>	<u>73,900</u>
<b>Income (Loss) Before Capital Contributions</b>	46,932	117,131
Capital contributions	<u>97,634</u>	<u>373,613</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 144,566</u>	<u>\$ 490,744</u>

The District's total operating revenues increased \$57,945, with an increase of \$194,943 in operating expenses, resulting in a decrease of \$136,998 in operating income. Non-operating revenues, net of expenses, increased \$66,799. Net position for the year increased \$144,566. Net position at December 31, 2024 was \$10,162,261.

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

The District had \$5,798,338 (net of accumulated depreciation) invested in a variety of utility capital assets. The investment in capital assets includes land, distribution reservoirs, distribution mains, meters and equipment.

	<u>2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>2024</u>
Land and land improvements	\$ 23,583	\$ 0	\$ 0	\$ 23,583
Construction in progress	30,510	0	(30,510)	0
Structures and improvements	237,327	0	0	237,327
Distribution reservoirs	507,320	0	0	507,320
Distribution mains	12,337,997	0	0	12,337,997
Meters and services	601,191	64,074	0	665,265
Equipment	463,186	53,497	0	516,683
	<u>\$14,201,114</u>	<u>\$ 117,571</u>	<u>\$ (30,510)</u>	<u>\$14,288,175</u>

### ***LONG-TERM DEBT***

At December 31, 2024, the District had \$192,000 in revenue bonds outstanding. The District's principal amount had a net decrease of \$33,000 for the year.

Type	Maturity	2024	2023	Increase (Decrease)
Revenue Bonds	January 2048	\$ 192,000	\$ 225,000	\$ (33,000)
		<u>\$ 192,000</u>	<u>\$ 225,000</u>	<u>\$ (33,000)</u>

### ***BUDGET ANALYSIS***

- The District's O & M budget was prepared by analyzing historical results and current trends.

### ***FACTORS IMPACTING FUTURE PERIODS***

- The Public Service Commission (PSC) required the District to submit a Capital Improvement Plan in 2021, which calls for the replacement of all meters, setters, boxes and service tubing for meter taps in an effort to reduce water loss. The PSC is requiring the District to repair and upgrade many of the service lines. The District has been awarded grant funds as of December 31, 2022 of approximately \$987,478 from the Kentucky Cleaner Water Program, which are funds provided through the American Rescue Plan Act of 2021, to aid in project expenses. Grant funds totaling \$362,478 have been received as of December 31, 2024. This project is ongoing as of December 31, 2024.

### ***REQUEST FOR INFORMATION***

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and demonstrate the District's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact: Harris Dockins, Chairman of the Board, 333 S. Franklin Street, Russellville, KY 42276 or Earn Brown, Office Manager, 333 S. Franklin Street, Russellville, KY 42276.



**EAST LOGAN WATER DISTRICT**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2024**

	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023 SUMMARY</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,427,542	\$ 1,198,075
Accounts receivable, net	171,144	175,332
Investments	1,095,673	1,049,607
Inventory	74,015	97,106
Prepaid insurance	16,769	12,189
Accrued interest receivable	5,479	14,579
<b>TOTAL CURRENT ASSETS</b>	<b>2,790,622</b>	<b>2,546,888</b>
<b>NONCURRENT ASSETS</b>		
Customer deposits	313,653	306,282
Depreciation reserve	1,144,705	1,035,041
Debt sinking fund reserves	339,249	326,102
Future technology	388,215	368,348
Health reimbursement account	2,146	2,146
Capital assets not being depreciated	23,583	54,093
Other capital assets, net of depreciation	5,774,755	6,092,949
<b>TOTAL NONCURRENT ASSETS</b>	<b>7,986,306</b>	<b>8,184,961</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,776,928</b>	<b>\$ 10,731,849</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 111,258	\$ 184,924
Accrued liabilities	11,735	7,782
Accrued interest payable	15,934	16,863
Customer deposits	279,240	273,585
Unearned revenue	4,500	6,000
Current portion of long-term debt	34,000	33,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>456,667</b>	<b>522,154</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	158,000	192,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>158,000</b>	<b>192,000</b>
<b>TOTAL LIABILITIES</b>	<b>614,667</b>	<b>714,154</b>
<b>NET POSITION</b>		
Net investment in capital assets	5,606,338	5,922,042
Restricted	2,187,968	2,037,919
Unrestricted	2,367,955	2,057,734
<b>TOTAL NET POSITION</b>	<b>10,162,261</b>	<b>10,017,695</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 10,776,928</b>	<b>\$ 10,731,849</b>

Accompanying notes to the financial statements are an integral part of this statement.

**EAST LOGAN WATER DISTRICT**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023 SUMMARY</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,224,919	\$ 2,185,992
Late charges	30,789	26,306
Miscellaneous revenues	14,851	316
<b>TOTAL OPERATING REVENUES</b>	<b>2,270,559</b>	<b>2,212,614</b>
<b>OPERATING EXPENSES</b>		
Water purchases	1,066,466	1,033,319
Training and meetings	20,281	15,681
Depreciation	435,765	417,041
Salaries and benefits	384,024	306,617
Payroll tax expense	29,159	23,969
Supplies	41,216	36,668
Utilities	13,051	20,571
Dues and subscriptions	980	3,325
Transmission expense	182,428	172,444
Professional services	14,689	27,097
Consultant fees	0	653
Insurance	27,891	21,043
Commissioners fees	10,800	10,500
Office supplies and postage	11,168	28,575
Miscellaneous operating expenses	19,077	9,240
Contracted services	97,437	39,376
Bad debt expense	9,894	3,264
<b>TOTAL OPERATING EXPENSES</b>	<b>2,364,326</b>	<b>2,169,383</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(93,767)</b>	<b>43,231</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on disposal of assets	0	(24,279)
Interest income	148,165	96,704
Investment income	3,684	14,727
Interest expense	(7,712)	(10,422)
PSC taxes	(3,438)	(2,830)
Loan fees	0	0
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>140,699</b>	<b>73,900</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>46,932</b>	<b>117,131</b>
<b>CAPITAL CONTRIBUTIONS</b>		
Contributions in aid of construction	97,634	373,613
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>97,634</b>	<b>373,613</b>
<b>CHANGE IN NET POSITION</b>	<b>144,566</b>	<b>490,744</b>
<b>TOTAL NET POSITION-BEGINNING</b>	<b>10,017,695</b>	<b>9,526,951</b>
<b>TOTAL NET POSITION-ENDING</b>	<b>\$ 10,162,261</b>	<b>\$ 10,017,695</b>

Accompanying notes to the financial statements are an integral part of this statement.

**EAST LOGAN WATER DISTRICT**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023 SUMMARY</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,273,247	\$ 2,276,945
Payments to suppliers for goods and services	(1,570,533)	(1,348,944)
Payments to employees for services	(409,230)	(329,274)
Other receipts (payments)	(3,438)	(2,830)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>290,046</b>	<b>595,897</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Increase in customer deposits	5,655	8,870
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>5,655</b>	<b>8,870</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Loan fees	0	0
Principal payments on debt	(33,000)	(31,000)
Capital contributions	97,634	373,613
Proceeds from sale of capital assets	0	0
Insurance proceeds	0	14,285
Purchases of capital assets	(87,061)	(779,935)
Interest paid on debt	(8,641)	(11,395)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(31,068)</b>	<b>(434,432)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in restricted cash/investments	(150,049)	(112,169)
(Increase) decrease in unrestricted investments	(46,066)	(1,049,607)
Interest on cash deposits	160,949	97,967
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(35,166)</b>	<b>(1,063,809)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>229,467</b>	<b>(893,474)</b>
<b>BALANCES-BEGINNING OF YEAR</b>	<b>1,198,075</b>	<b>2,091,549</b>
<b>BALANCES-END OF YEAR</b>	<b>\$ 1,427,542</b>	<b>\$ 1,198,075</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (93,767)	\$ 43,231
Adjustments to reconcile net operating income to net cash provided (used) by operating activities		
Depreciation expense	435,765	417,041
Payment of PSC taxes	(3,438)	(2,830)
Changes in assets and liabilities		
Net (increase) decrease in accounts receivable	4,188	65,081
Net (increase) decrease in inventory	23,091	(3,071)
Net (increase) decrease in prepaid expenses	(4,580)	1,657
Net increase (decrease) in accounts payable	(73,666)	74,226
Net increase (decrease) in accrued liabilities	3,953	1,312
Net increase (decrease) in unearned revenues	(1,500)	(750)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 290,046</b>	<b>\$ 595,897</b>

Accompanying notes to the financial statements are an integral part of this statement.

**EAST LOGAN WATER DISTRICT  
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES**

The East Logan Water District (the “District”) was chartered in 1972. It is a distributor of water under the authority of the Public Service Commission of Kentucky. The District provides service to customers in a sector of Logan County, Kentucky.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies:

**1. Financial Reporting Entity**

The District is governed by a three-member board (the “Board”). The criteria for determining the District as a component unit of Logan County, Kentucky, the primary government, as set forth in GASB No. 14, *The Financial Reporting Entity*, is financial accountability. The members of the Board are appointed by the Logan County Judge Executive subject to the approval of the Logan County Fiscal Court. The District can provide a financial benefit to or impose a financial burden on the primary government. The Board has the power and authority to acquire, construct, maintain and operate the waterworks system.

**2. Basis of Presentation**

The records of the District are maintained on the accrual method of accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

**EAST LOGAN WATER DISTRICT  
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Basis of Presentation (Concluded)**

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. Proprietary funds are accounted for 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. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position.

Operating revenues within the proprietary fund are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

GASB No. 34 requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – The component of net position consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

**3. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits, certificates of deposit, investment securities, and other highly liquid debt instruments with maturities of less than 90 days that are not restricted.

**EAST LOGAN WATER DISTRICT  
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Investments**

The District's investments consist of certificates of deposit and investment securities. Certificates of deposit are recorded at cost, which approximates their fair value. Investments in marketable securities with readily determinable fair values are reported at their fair values based on quoted prices in active markets at the statement of financial position date. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool.

**5. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**6. Accounts Receivable**

Accounts receivable are stated at the amount billed to customers. The District's operating revenues are recognized on the basis of cycle billings rendered monthly. Accounts receivable are due on the 20<sup>th</sup> of each month. Accounts unpaid on the last day of each month are considered delinquent and service is disconnected. Delinquent receivables are reviewed and an allowance for doubtful accounts is established, if needed. Based on historical experience, accounts are written off when amounts are deemed uncollectible. New service is denied until all outstanding balances have been settled.

**7. Inventory**

Inventory consists of operating supplies and is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

**8. Utility Plant**

Expenditures for utility plant with an original cost of \$1,500 or more are capitalized at cost, while maintenance and repairs are charged to operations when incurred. Depreciation is recorded on the straight-line method over the estimated useful life.

**EAST LOGAN WATER DISTRICT  
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**9. Contributions in Aid of Construction/Capital Contributions**

Contributions in aid of construction consists of tap on fees, contributions from customers and grants. For year 2000 and prior years, the changes in these accounts were reflected in the fund equity section of the financial statements. However, on January 1, 2001, the District adopted GASB No. 33, which requires activity in these accounts to be reflected in the statement of revenues and expenses as a separate revenue line item.

**10. Income Taxes**

The District is exempt from federal and state income taxes under Section 501 of the Internal Revenue Code.

**11. Non-exchange Transactions**

The District receives various grants from federal and state agencies, which are considered voluntary non-exchange transactions. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

**12. Impairment of Long-Lived Assets**

The District reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2024.

**13. Bond Premium, Discounts and Issuance Costs**

Bond premium and discounts for proprietary funds are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premium/discounts are presented as an addition/reduction of the face amount of bonds payable. Bond issuance costs are expensed in the period incurred.

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A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024**

**NOTE B – CASH DEPOSITS AND INVESTMENTS**

**1. Cash Deposits**

At year-end, the carrying amount of the District's cash and cash equivalents was \$3,615,510 and the bank balance was \$3,617,882. Of the total bank balance, \$1,012,992 was covered by federal depository insurance and the remaining balance of \$2,604,890 would require collateralization. As of December 31, 2024, \$2,646,664 was pledged with securities held by the pledging banks' trust departments but not in the name of the District.

Kentucky Revised Statues provide for investment of governmental funds into certain investment types including obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the District's name.

**2. Investments**

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 Measurements) and consist of the following at December 31, 2024:

	Cost	Fair Value
Cash	\$ 1,068	\$ 1,068
Taxable Bond Funds	1,090,726	1,094,605
Total Investment Securities	<u>\$ 1,091,794</u>	<u>\$ 1,095,673</u>

Net investment return consists of the following:

Interest income	\$ 42,974
Dividend income	2,771
Unrealized gain (loss)	913
Total Net Investment Return	<u>\$ 46,658</u>

**3. Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE B – CASH DEPOSITS AND INVESTMENTS (CONCLUDED)**

**4. Restricted Cash and Investments**

Restricted cash and investments consist of the following at December 31, 2024:

Health reimbursement account	\$ 2,146
Customer deposits	313,653
Depreciation reserve	1,144,705
Debt sinking fund reserves	339,249
Future technology	388,215
	<u>\$ 2,187,968</u>

The District's bond agreements require certain capital replacement and debt sinking reserves. Also, customers are required to pay a deposit upon receiving water services. Deposits are refundable or applied to any unpaid balance upon termination of service.

**NOTE C – RISK MANAGEMENT**

The District is exposed to various risks of loss related torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries insurance for all risks of loss, including worker's compensation, general liability and property loss insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**NOTE D – LONG-TERM DEBT**

Current year long-term debt activity is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
USDA Rural Development general revenue bonds payable, payable in annual principal installments, plus interest at 4.125%, maturing in January 2048, secured by system revenues	\$ 225,000	\$ 0	\$ 33,000	\$ 192,000	\$ 34,000
	<u>\$ 225,000</u>	<u>\$ 0</u>	<u>\$ 33,000</u>	<u>\$ 192,000</u>	<u>\$ 34,000</u>

**EAST LOGAN WATER DISTRICT**  
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**NOTE D – LONG-TERM DEBT (CONCLUDED)**

The District has outstanding general revenue bonds from USDA Rural Development with a balance of \$192,000 at December 31, 2024. System revenues of the District are pledged as collateral for this debt and bears interest at 4.125%. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest on the outstanding bonds.

The District does not have any unused lines of credit. None of the debt is considered to be direct borrowings nor direct placements of debt.

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 34,000	\$ 55,358
2026	35,000	53,955
2027	37,000	52,512
2028	38,000	50,985
2029	40,000	49,418
2030-2031	8,000	47,768
	<u>\$ 192,000</u>	<u>\$ 309,996</u>

**NOTE E – CONCENTRATIONS OF CREDIT RISK**

The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

**NOTE F – WATER AGREEMENT**

The District has entered into a water purchase contract with the Logan/Todd Regional Water Commission, whereas the contract requires the Commission to provide water to the District and the rates the District will be charged for the expected water usage are defined therein. The contract will extend for a term of 50 years beginning January 1, 2003. The agreement may be renewed or extended for such term or terms as may be agreed by the Commission and the District. Under terms of the agreement, the District may not produce or resell water to any other water system or water seller, nor may the District add any customer to its system that would increase average daily water demand or peak water demand within the District by over 25% without prior written approval from the Commission. The agreement was originally signed to begin from the earlier date of initial availability of water for delivery by the Commission or January 1, 2003. The District began purchasing water from the Commission in April 2003; therefore, the Commission is the sole provider of water to the District. The agreement does require the District to purchase minimum levels of water from the Commission. If minimum levels are not met, the Commission may charge the District for the shortages.

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**DECEMBER 31, 2024**

**NOTE G – CAPITAL ASSETS**

A summary of utility plant activity for the year ended December 31, 2024 is as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated				
Land and land rights	\$ 23,583	\$ 0	\$ 0	\$ 23,583
Construction in progress	30,510	0	(30,510)	0
Total capital assets not being depreciated	54,093	0	(30,510)	23,583
Other capital assets				
Utility plant in service	14,147,021	117,571	0	14,264,592
Total other capital assets at historical cost	14,147,021	117,571	0	14,264,592
Less: Accumulated depreciation	(8,054,072)	(435,765)	0	(8,489,837)
Capital assets, net	<u>\$ 6,147,042</u>	<u>\$ (318,194)</u>	<u>\$ (30,510)</u>	<u>\$ 5,798,338</u>

**NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS**

SFAS 157, *Fair Value Measurements* (ASC Topic 820-10) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are as follows:

- Level 1           Quoted prices in active markets for identical assets or liabilities
  
- Level 2           Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
  
- Level 3           Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

In compliance with GASB 31, the District's investments are stated at fair value, except for short-term investments. Short-term investments are carried at cost, which approximates fair value. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed cost.

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**NOTE I – RETIREMENT PLAN**

The District has a SIMPLE IRA retirement plan that covers all employees who meet the eligibility requirements. The District's contributions to the plan have been determined by the Board of Commissioners. Contributions to the plan were \$7,195 for 2024.

**NOTE J – KENTUCKY CLEANER WATER PROGRAM**

The District has been awarded grant funds totaling approximately \$987,478 from the Kentucky Cleaner Water Program, which are funds provided through the American Rescue Plan Act of 2021. Grant funds totaling \$362,478 have been received as of December 31, 2024.

**NOTE K – SUBSEQUENT EVENTS**

East Logan Water District's management has evaluated and considered the need to recognize or disclose subsequent events through March 15, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended December 31, 2024, have not been evaluated by management.

In order to reduce water loss, the Public Service Commission is requiring East Logan Water District to repair and upgrade many of their service lines. East Logan Water District plans to fund this project with the Kentucky Cleaner Water Program grant funds, discussed in Note J. This project is ongoing as of December 31, 2024.

**NOTE L – RECENTLY ISSUED AND ADOPTED ACCOUNTING PRINCIPLES**

In December 2023, the GASB issued Statement 102, Certain Risk Disclosures. This statement is effective for periods beginning after June 15, 2024. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In April 2024, the GASB issued Statement 103, Financial Reporting Model Improvements. This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.