

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

**FINANCIAL STATEMENTS
AND
OTHER INFORMATION**

DECEMBER 31, 2025 AND 2024

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Contents
December 31, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3-4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Changes in Net Assets	8
Statements of Cash Flows	9
Notes to the Financial Statements	10-20
Other Information	
Schedule of Insurance	21
Schedule of Rates	22-23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25



INDEPENDENT AUDITORS' REPORT

To the Members
East Daviess County Water Association, Inc.

Opinion

We have audited the accompanying financial statements of East Daviess County Water Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years 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 East Daviess County Water Association, Inc. as of December 31, 2025 and 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Daviess County Water Association, Inc. 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.

Emphasis of Matter – Restatement of 2024 Financial Statements

As discussed in Note O to the financial statements, the previously issued 2024 financial statements have been restated to correct an error related to the removal of water meters included in property and equipment that were no longer in service. Our opinion is not modified with respect to this matter.

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 East Daviess County Water Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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 East Daviess County Water Association, Inc.'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 East Daviess County Water Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

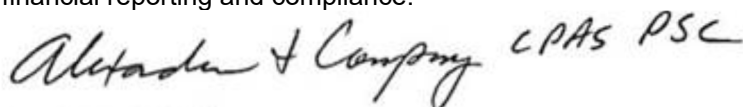
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises a Schedule of Insurance and a Schedule of Rates, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2026 on our consideration of East Daviess County Water Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Daviess County Water Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Daviess County Water Association, Inc.'s internal control over financial reporting and compliance.



Owensboro, Kentucky
April 23, 2026

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,863,160	\$ 1,540,081
Investments	480,090	453,304
Accounts receivable, net	252,974	237,607
Grants receivable	21,185	22,279
Inventory	211,091	197,721
Prepaid insurance	13,042	13,601
Other current assets	7,243	7,243
	2,848,785	2,471,836
OTHER ASSETS		
Restricted cash - security deposits	40,640	39,214
Restricted investments - reserve fund	32,400	41,525
	73,040	80,739
CAPITAL ASSETS		
Property and equipment, net	9,043,862	8,895,634
	9,043,862	8,895,634
TOTAL ASSETS	\$ 11,965,687	\$ 11,448,209

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024 (Restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 273,800	\$ 148,921
Accounts payable - RWRA	90,874	48,541
Accrued taxes	7,651	7,023
Accrued interest	5,247	5,247
Customer deposits	38,280	35,100
Accrued payroll and payroll taxes	47,196	41,033
Current portion of long-term debt	18,902	18,110
TOTAL CURRENT LIABILITIES	481,950	303,975
LONG-TERM DEBT, net of current portion	262,810	281,727
TOTAL LIABILITIES	744,760	585,702
NET ASSETS		
Without donor restrictions:		
Federal grants	2,732,280	2,690,080
State and local grants	2,343,641	2,343,641
Contributions in aid	5,375,648	5,181,479
Appropriated	73,040	80,739
Unappropriated	696,318	566,568
TOTAL NET ASSETS	11,220,927	10,862,507
TOTAL LIABILITIES AND NET ASSETS	\$ 11,965,687	\$ 11,448,209

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Activities
Years ended December 31, 2025 and 2024

	2025	2024 (Restated)
OPERATING REVENUE		
Water sales	\$ 2,639,059	\$ 2,613,386
Miscellaneous service revenue	80,864	80,198
	2,719,923	2,693,584
OPERATING EXPENSES		
Bad debts	20,000	20,000
Depreciation	326,537	286,736
Directors' fees	15,750	15,750
Employee benefits	181,966	176,036
Insurance	53,721	39,406
Legal and accounting	30,167	22,175
Miscellaneous	40,773	48,196
Office supplies and postage	128,054	121,310
Payroll taxes	45,105	44,203
PSC assessment	4,295	3,839
Repairs	108,507	129,966
Salaries and wages	581,276	564,458
Telephone	5,506	6,828
Transportation	34,737	37,757
Utilities	59,138	56,811
Water purchased	996,042	1,001,845
Water testing	7,373	8,008
	2,638,947	2,583,324
INCOME FROM OPERATIONS	80,976	110,260
OTHER INCOME (EXPENSE)		
Loss on disposal of assets	(23,965)	(11,357)
Net investment income	73,115	84,510
Interest expense	(13,984)	(14,170)
Insurance recoveries	5,909	-
	41,075	58,983
NET INCOME	\$ 122,051	\$ 169,243

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statement of Functional Expenses
Year ended December 31, 2025

	Operating	General and Administrative	Total
Bad debts	\$ 20,000	\$ -	\$ 20,000
Depreciation	310,705	15,832	326,537
Directors' fees	-	15,750	15,750
Employee benefits	143,754	38,212	181,966
Insurance	48,349	5,372	53,721
Legal and accounting	-	30,167	30,167
Miscellaneous	12,190	28,583	40,773
Office expense	-	128,054	128,054
Payroll taxes	35,633	9,472	45,105
PSC assessment	-	4,295	4,295
Repairs	107,422	1,085	108,507
Salaries and wages	457,443	123,833	581,276
Telephone	-	5,506	5,506
Transportation	34,737	-	34,737
Utilities	57,363	1,775	59,138
Water purchased	996,042	-	996,042
Water testing	7,373	-	7,373
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,231,011</u>	<u>\$ 407,936</u>	<u>\$ 2,638,947</u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statement of Functional Expenses
Year ended December 31, 2024
(Restated)

	Operating	General and Administrative	Total
Bad debts	\$ 20,000	\$ -	\$ 20,000
Depreciation	272,399	14,337	286,736
Directors' fees	-	15,750	15,750
Employee benefits	139,069	36,967	176,036
Insurance	35,465	3,941	39,406
Legal and accounting	-	22,175	22,175
Miscellaneous	14,409	33,787	48,196
Office expense	-	121,310	121,310
Payroll taxes	34,920	9,283	44,203
PSC assessment	-	3,839	3,839
Repairs	128,666	1,300	129,966
Salaries and wages	444,208	120,250	564,458
Telephone	-	6,828	6,828
Transportation	37,757	-	37,757
Utilities	55,106	1,705	56,811
Water purchased	1,001,845	-	1,001,845
Water testing	8,008	-	8,008
	<u>\$ 2,191,852</u>	<u>\$ 391,472</u>	<u>\$ 2,583,324</u>
Total Expenses	<u>\$ 2,191,852</u>	<u>\$ 391,472</u>	<u>\$ 2,583,324</u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Statements of Changes in Net Assets

Years ended December 31, 2025 and 2024

	<u>Federal Grants</u>	<u>State and Local Grants</u>	<u>Contributions in Aid</u>	<u>Appropriated</u>	<u>Unappropriated</u>	<u>Total</u>
BALANCES, DECEMBER 31, 2023, AS RESTATED	\$ 1,807,300	\$ 2,343,641	\$ 5,087,947	\$ 78,099	\$ 399,965	\$ 9,716,952
Net income	-	-	-	-	169,243	169,243
Transfer to (from) reserves	-	-	-	2,640	(2,640)	-
Contributions	<u>882,780</u>	<u>-</u>	<u>93,532</u>	<u>-</u>	<u>-</u>	<u>976,312</u>
BALANCES, DECEMBER 31, 2024	<u>2,690,080</u>	<u>2,343,641</u>	<u>5,181,479</u>	<u>80,739</u>	<u>566,568</u>	<u>10,862,507</u>
Net income	-	-	-	-	122,051	122,051
Transfer to (from) reserves	-	-	-	(7,699)	7,699	-
Contributions	<u>42,200</u>	<u>-</u>	<u>194,169</u>	<u>-</u>	<u>-</u>	<u>236,369</u>
BALANCES, DECEMBER 31, 2025	<u><u>\$ 2,732,280</u></u>	<u><u>\$ 2,343,641</u></u>	<u><u>\$ 5,375,648</u></u>	<u><u>\$ 73,040</u></u>	<u><u>\$ 696,318</u></u>	<u><u>\$ 11,220,927</u></u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	2025	2024 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 122,051	\$ 169,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	326,537	286,736
Loss on disposal of assets	23,965	11,357
Unrealized gain on investments	151	(12)
(Increase) decrease in:		
Accounts receivable	(15,367)	(5,818)
Inventory	(13,370)	(71,637)
Prepaid insurance	559	3,561
Increase (decrease) in:		
Accounts payable	167,212	81,957
Accrued taxes payable	628	149
Customer deposits	3,180	(1,142)
Accrued payroll and payroll taxes	6,163	(3,167)
Accrued interest payable	-	(595)
NET CASH PROVIDED BY OPERATING ACTIVITIES	621,709	470,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(17,812)	(25,162)
Proceeds from property and equipment disposals	1,000	4,619
Purchases of property and equipment	(396,289)	(1,038,620)
NET CASH USED IN INVESTING ACTIVITIES	(413,101)	(1,059,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(18,125)	(17,351)
Federal grant reimbursements	43,294	864,323
Contribution in aid of construction	90,728	93,532
NET CASH PROVIDED BY FINANCING ACTIVITIES	115,897	940,504
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	324,505	351,973
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	1,579,295	1,227,322
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 1,903,800	\$ 1,579,295

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

East Daviess County Water Association, Inc. (the “Water Association”) is a water utility which operates in rural sections of Daviess, Hancock, and Ohio Counties of Kentucky, and its sales are primarily to residential customers.

Reporting Entity

East Daviess County Water Association, Inc. was created and organized as a non-profit association and is exempt from income tax under section 501(c)(12) of the Internal Revenue Code.

Basis of Accounting

The Water Association maintains its accounting records on the accrual basis of accounting.

Basis of Presentation

The Water Association is required to report information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Management Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Regulation

The Water Association’s utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky Public Service Commission. The Water Association’s accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the Public Service Commission which conform to generally accepted accounting principles in all material respects.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Water Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 2025 and 2024 cash and cash equivalents consisted of the following:

	2025	2024
Cash and cash equivalents	\$ 1,863,160	\$ 1,540,081
Restricted cash - security deposits	40,640	39,214
Total cash and cash equivalents	\$ 1,903,800	\$ 1,579,295

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

Cash paid for interest for 2025 and 2024 was \$13,984 and \$14,765, respectively.

Noncash financing activities for 2025 and 2024, representing donated water lines to the Water Association were \$103,441 and \$0, respectively.

Accounts Receivable

Accounts receivable is stated at net realizable value net of the allowance for credit losses and consists of water sales to residential, commercial, industrial, agricultural, and other customers. Accounts receivable for the previous month's billing are considered past due after the 15th of the current month.

Allowance for Credit Losses

The allowance for credit losses is based on historical experience, current conditions, and reasonable and supportable forecasts about collectability and represents in management's opinion, an adequate allowance to provide for probable uncollectible accounts. Any inactive and unpaid accounts from the previous year are presented to the board of directors for approval and written off in the last quarter of the current year. Changes in the allowance for credit losses during the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Balance, beginning of year	\$ (17,578)	\$ (17,989)
Bad debt expense	(20,000)	(20,000)
Write-offs	25,638	21,998
Recoveries	(3,337)	(1,587)
Balance, end of year	\$ (15,277)	\$ (17,578)

Inventory

Inventory consists of materials and supplies which are stated at lower of cost (determined on the first-in, first-out basis) or net realizable value. Salvaged meters as well as newly purchased meters not yet installed are included in inventory at the end of each year.

Property and Equipment

Property and equipment are stated at original cost or fair value if contributed. Self-constructed asset labor is not capitalized. It is the Water Association's policy to capitalize property or equipment over \$2,000. Depreciation expense is computed on the straight-line method. Depreciation expense for the years ended December 31, 2025 and 2024 was \$326,537 and \$286,736, respectively.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Estimated useful lives of major components of the utility plant in service are determined by the Kentucky Public Service Commission. Useful lives are as follows:

Water pumps and equipment	20 years
Service equipment	22.5 years
Land improvements	25 years
Meters	40 years
Water reservoirs	50 years
Water lines	62.5 years

Impairment of Long-Lived Assets

Management periodically evaluates whether events or circumstances have occurred that indicate that excess of cost over net assets acquired and other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, management assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Revenue Recognition

The Water Association recognizes revenue when performance obligations are satisfied. Generally, the Water Association's performance obligations are satisfied when control of water services are transferred. Customers are billed based on their monthly usage at rates approved by the Kentucky Public Service Commission. Revenue is recognized on a monthly basis after the service has been provided. Because customers are billed after the service has been provided, the Water Association's right to consideration is unconditional. Customers are billed monthly and payment is expected within 30 days. Any amounts that have been collected for services, where control has not transferred, are recorded as security deposits or unearned revenues (contract liabilities).

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are partially attributable to Operations (water sales and distribution) as well as General and Administrative. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The most significant expenses that are allocated include compensation and benefits for personnel, which are allocated based on general estimates of time incurred for each function.

Income Taxes

The Water Association maintains the tax position that it is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made. The Water Association did not pay any interest or penalty as a result of its tax position. The tax years 2022 through 2024 remain subject to examination by the Internal Revenue Service.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE B - INVESTMENTS

Investments consists of the following at December 31, 2025 and 2024:

<u>Investments:</u>	2025		
	<u>Carrying Value</u>	<u>Matures</u>	<u>Interest Rate</u>
Cash held at broker	\$ 41	Not applicable	Not applicable
Brokered certificate of deposit	27,006	1/20/2026	4.25%
Brokered certificate of deposit	242,276	4/22/2026	4.20%
Brokered certificate of deposit	121,083	5/14/2026	4.00%
Brokered certificate of deposit	122,084	5/14/2026	4.00%
Total investments	<u>\$ 512,490</u>		

<u>Statement of Financial Position:</u>	
2025	
Investments	\$ 480,090
Restricted investments - reserve fund	32,400
Total investments	<u>\$ 512,490</u>

<u>Investments:</u>	2024		
	<u>Carrying Value</u>	<u>Matures</u>	<u>Interest Rate</u>
Cash held at broker	\$ 229	Not applicable	Not applicable
Brokered certificate of deposit	128,019	1/6/2025	5.30%
Brokered certificate of deposit	238,060	5/5/2025	4.35%
Brokered certificate of deposit	128,521	7/10/2025	5.05%
Total investments	<u>\$ 494,829</u>		

<u>Statement of Financial Position:</u>	
2024	
Investments	\$ 453,304
Restricted investments - reserve fund	41,525
Total investments	<u>\$ 494,829</u>

Net investment income consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 73,266	\$ 84,498
Unrealized gains	(151)	12
Net investment income	<u>\$ 73,115</u>	<u>\$ 84,510</u>

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE C – CUSTOMER CONTRACTS

Contract Receivables and Liabilities

Contract receivables and contract liabilities with customers consists of the following as of December 31, 2025 and 2024:

	Water Receivables, net		Customer Deposits	
	2025	2024	2025	2024
Beginning of year	\$ 237,607	\$ 231,789	\$ 35,100	\$ 36,242
End of year	252,974	237,607	38,280	35,100

Disaggregated Revenue by Customer Type:

Water sales consists of the following at December 31, 2025 and 2024:

	Water Sales	
	2025	2024
Residential	\$ 2,453,033	\$ 2,464,139
Commercial	126,374	94,839
Industrial and other types	59,652	54,408
Total water sales	\$ 2,639,059	\$ 2,613,386

NOTE D – PROPERTY AND EQUIPMENT

The major classes of property and equipment at December 31, 2025 and 2024 consist of the following:

	2025	2024
Land	\$ 182,988	\$ 181,488
Pumping system	379,587	457,208
Transmission and distribution system	14,087,945	13,700,460
General plant	1,034,667	1,026,555
	15,685,187	15,365,711
Less accumulated depreciation	(6,641,325)	(6,470,077)
Property and equipment, net	\$ 9,043,862	\$ 8,895,634

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE E - LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2025 and 2024:

	2025	2024
Note payable to U.S. Department of Agriculture, Rural Development with interest at the rate of 4.375% per annum, due in annual installments of \$31,228, including interest through August 7, 2046.	\$ 281,712	\$ 299,837
Less: Current portion	(18,902)	(18,110)
Long-term debt, net of current portion	\$ 262,810	\$ 281,727

U.S. Department of Agriculture, Rural Development holds a mortgage on substantially all assets of the Water Association. The Water Association's loan agreement includes various covenants, including a provision that it will not borrow any money from any source or enter into any contract agreement or incur any other liabilities in connection with making extensions or improvements to the facility, exclusive of normal maintenance, without obtaining the prior written consent of the Mortgagee. The cash reserve fund associated with the U.S. Department of Agriculture, Rural Development loan is fully funded. The Reserve Fund shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by unforeseen catastrophe, for making extensions or improvements to the facility with the prior written approval of the U.S. Department of Agriculture, Rural Development, and when necessary, for the purpose of making debt service payments on the U.S. Department of Agriculture, Rural Development note in the event funds are not available from current operating funds. Maturities of notes payable are as follows:

Year Ended December 31	Amount
2026	\$ 18,902
2027	19,729
2028	20,593
2029	21,494
2030	22,434
Thereafter	178,560
	\$ 281,712

NOTE F – FEDERAL GRANTS

Federal grant programs are shown as contributions on the Statements of Changes in Net Assets for the years ended December 31, 2025 and 2024. Reimbursements for allowable costs under federal grant programs were \$42,200 and \$882,780, respectively.

All federal funding for the year ended December 31, 2025 and 2024 related to Assistance Listing Number (ALN) 21.027 Coronavirus State and Local Fiscal Recovery Funds. Under the program, eligible entities were able to use the funding to make necessary investments in water, sewer, or broadband infrastructure.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE G – CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction includes money or other property contributed to the Water Association. For the years ended December 31, 2025 and 2024, contributions in aid of construction were \$194,169 and \$93,532, respectively.

NOTE H – WATER SUPPLY CONTRACT

On May 14, 1992 the Water Association entered into a 50-year water supply contract with the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). The rate charged to the Water Association by OMU consists of both fixed and variable cost components. Under certain circumstances the Water Association may be required by OMU to impose usage restrictions on its customer. The Water Association purchases either directly or indirectly all of its water for resale from OMU. Purchases for the years ended December 31, 2025 and 2024 were \$996,042 and \$1,001,845, respectively.

NOTE I - CONCENTRATION OF CREDIT RISK

At December 31, 2025 and 2024, the Water Association's bank balances of cash and cash equivalents and the par value of certificates of deposits held by a broker totaled \$2,443,047 and \$2,532,185, respectively. For 2025 and 2024, all amounts were insured by the FDIC.

NOTE J – MEDICAL EXPENSE REIMBURSEMENT PLAN

The Water Association provides a medical reimbursement plan (MERP) to its employees. This plan was implemented to provide quality medical coverage for the Water Association's employees while decreasing the Water Association's overall medical insurance expense. The plan reimburses employees for medical and hospital expenses incurred by themselves and their dependents from December 1 to November 30 in any calendar year, but not to exceed \$6,000 for single employee or \$12,000 for family plan per plan year. The reimbursements exclude insurable and eligible medical, prescription, and hospital expenses available to employees under the Water Association's group insured health plan. This plan also excludes employee dental expenses and expenses for non-prescription drugs. For the years ended December 31, 2025 and 2024, medical reimbursements paid to employees were \$20,278 and \$22,572, respectively.

NOTE K – RETIREMENT PLAN

The Water Association maintains a voluntary Simple IRA Plan for all full-time employees. Employees may elect to participate immediately upon employment. The Water Association matches the employees' contribution up to 3% of their compensation. Vesting takes place immediately. The Water Association's contributions were \$16,400 and \$16,263 for the years ended December 31, 2025 and 2024, respectively.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Water Association’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2025	2024
Financial assets, at year end:		
Cash	\$ 1,903,800	\$ 1,579,295
Investments	512,490	494,829
Accounts receivable, net	252,974	237,607
Grants receivable	21,185	22,279
 Total financial assets, at year end	 2,690,449	 2,334,010
 Less those unavailable for general expenditure within one year:		
Restricted cash - security deposits	(40,640)	(39,214)
Restricted investments - reserve fund	(32,400)	(41,525)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 2,617,409	 \$ 2,253,271

The Water Association’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2025	2024
Financial assets, at year end:		
Cash	\$ 1,863,160	\$ 1,540,081
Investments	480,090	453,304
Accounts receivable, net	252,974	237,607
Grants receivable	21,185	22,279
 Total financial assets, at year end	 \$ 2,617,409	 \$ 2,253,271

Restricted cash and investments unavailable for general expenditure within one year are as follows: (1) Restricted cash – security deposit consists of security deposits paid by customers and (2) Restricted investments - reserve fund is restricted pursuant to a loan agreement with the U.S. Department of Agriculture, Rural Development.

NOTE M – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE M – FAIR VALUE MEASUREMENTS (continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.
- Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.
- Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets itemized below were measured at fair value during the years ended using observed values for underlying interest rates. Fair values of assets measured on a recurring basis at December 31, 2025 and 2024 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring fair value measurements:</u>				
<i>December 31, 2025</i>				
Investments:				
Brokered certificates of deposit	\$ 512,490	\$ -	\$ 512,490	\$ -
Total recurring fair value measurements	<u>\$ 512,490</u>	<u>\$ -</u>	<u>\$ 512,490</u>	<u>\$ -</u>
 <i>December 31, 2024</i>				
Investments:				
Brokered certificates of deposit	\$ 469,655	\$ -	\$ 469,655	\$ -
Total recurring fair value measurements	<u>\$ 469,655</u>	<u>\$ -</u>	<u>\$ 469,655</u>	<u>\$ -</u>

NOTE N – COMMITMENTS AND CONTINGENCIES

Purchased Water

The Water Association purchases water from Owensboro Municipal Utilities (OMU) based on the Water Association’s estimated usage. Any underpayments or overpayments are applied to future water purchases through rate adjustments. OMU calculates the difference between the estimated and actual usage as of the end of their fiscal year (May 31st). As of May 31, 2025 and 2024, the net overpayment (underpayment) from (to) OMU for the actual cost of water provided to the Association was \$47,414 and (\$46,339), respectively.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE N – COMMITMENTS AND CONTINGENCIES (continued)

Purchase Commitments - Meters

On September 18, 2025, the Association ordered water meters and other materials at a total cost of \$148,400. The water meters and other materials were delivered in 2026.

On December 27, 2024, the Association ordered water meters and other materials at a total cost of \$150,044. The water meters and other materials were delivered in 2025.

Construction Commitments

As of December 31, 2024, construction commitments were as follows:

Knottsville Elevated Tank Rehabilitation Project

During 2024, the Water Association completed a tank rehabilitation project to paint the existing Knottsville elevated tank. The final cost of the project was \$483,940 and was placed into service during 2024. As of December 31, 2024, remaining construction commitments were \$22,279. The project costs were funded by a federal grant program (ALN 21.027 Coronavirus State Fiscal Recovery Funds) via the Kentucky Infrastructure Authority.

Floral Road Water Main Extension Project

During 2024, the Water Association completed a construction project for a new main extension located along Floral Road. The final cost of the project was \$171,590 and was placed into service during 2024. As of December 31, 2024, there were no remaining construction commitments (for engineers or contractors). The project costs were funded by a federal grant program (ALN 21.027 Coronavirus State Fiscal Recovery Funds) via the Kentucky Infrastructure Authority.

Herbert Road Water Line Extension Project

During 2024, the Water Association completed a construction project for a water line extension located along Herbert Road. The final cost of the project was \$23,234 and was placed into service during 2024. As of December 31, 2024, there were no remaining construction commitments (for engineers or contractors). During 2024, the Ohio County Fiscal Court reimbursed the Association for project costs in the amount of \$22,414.

NOTE O – RESTATEMENT OF 2024 FINANCIAL STATEMENTS

During the year ended December 31, 2025, the Water Association identified certain water meters included in property and equipment that were no longer in service. These assets had not been removed from the depreciation schedule in prior periods. Management evaluated this matter and determined it represents a correction of an error. Accordingly, the accompanying 2024 financial statements have been restated to correct this error.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE O – RESTATEMENT OF 2024 FINANCIAL STATEMENTS (continued)

The impact of the restatement on the Water Association’s previously reported 2024 financial statements is as follows:

Description	As Previously Reported	Adjustment	As Restated
Unappropriated net assets as of December 31, 2023	\$ 616,637	\$ (216,672)	\$ 399,965
Property and equipment, net	9,098,926	(203,292)	8,895,634
Depreciation expense	300,116	(13,380)	286,736
Net income	155,863	13,380	169,243

NOTE P – SUBSEQUENT EVENTS

The Water Association did not have any subsequent events through April 23, 2026, which is the date the financial statements were available to be issued requiring recording or disclosure in the financial statements for the year ended.

OTHER INFORMATION

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Insurance
December 31, 2025

<u>Coverage</u>	<u>Amount of Coverage</u>
Workmen's Compensation	\$ 500,000 limit per occurrence
General Liability	\$ 1,000,000 limit per occurrence \$ 3,000,000 limit in aggregate
Property and Contents	\$ 7,827,609 limit
Cyber Liability	\$ 1,000,000 limit
Employee Dishonesty	\$ 250,000 limit
Automobile Liability	\$ 1,000,000 limit per accident
Umbrella Coverage	\$ 2,000,000 limit per occurrence \$ 2,000,000 limit in aggregate

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Rates
December 31, 2025

<u>Tap-on Fees</u>	<u>Charge</u>
5/8" x 3/4" Meter	\$ 1,350
All larger meters	Actual Cost
 <u>Monthly rates</u>	
<u>5/8" x 3/4" Meter</u>	
First 2,000 gallons	\$22.72 (Minimum Bill)
Next 4,000 gallons	8.47 per 1,000 gallons
Next 44,000 gallons	7.30 per 1,000 gallons
Over 50,000 gallons	6.44 per 1,000 gallons
 <u>3/4" Meter</u>	
First 3,000 gallons	\$31.19 (Minimum Bill)
Next 3,000 gallons	8.47 per 1,000 gallons
Next 44,000 gallons	7.30 per 1,000 gallons
Over 50,000 gallons	6.44 per 1,000 gallons
 <u>1" Meter</u>	
First 6,000 gallons	\$56.61 (Minimum Bill)
Next 44,000 gallons	7.30 per 1,000 gallons
Over 50,000 gallons	6.44 per 1,000 gallons
 <u>1-1/2" Meter</u>	
First 10,000 gallons	\$85.80 (Minimum Bill)
Next 40,000 gallons	7.30 per 1,000 gallons
Over 50,000 gallons	6.44 per 1,000 gallons
 <u>2" Meter</u>	
First 20,000 gallons	\$158.77 (Minimum Bill)
Next 30,000 gallons	7.30 per 1,000 gallons
Over 50,000 gallons	6.44 per 1,000 gallons
 <u>3" Meter</u>	
First 30,000 gallons	\$231.80 (Minimum Bill)
Next 20,000 gallons	7.30 per 1,000 gallons
Over 50,000 gallons	6.44 per 1,000 gallons
 <u>4" Meter</u>	
First 50,000 gallons	\$377.80 (Minimum Bill)
Over 50,000 gallons	6.44 per 1,000 gallons

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Schedule of Rates

December 31, 2025

6" Meter

First 100,000 gallons	\$699.80 (Minimum Bill)
Over 100,000 gallons	6.44 per 1,000 gallons
Leak Adjustment Rate	\$5.25 per gallon
Wholesale Rate	\$4.45 per gallon



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
East Daviess County Water Association, Inc.

We have audited, in accordance with the 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, the financial statements of East Daviess County Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Daviess County Water Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Daviess County Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of East Daviess County Water Association, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matter

As part of obtaining reasonable assurance about whether East Daviess County Water Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alitaden & Company CPAS PSC

Owensboro, Kentucky
April 23, 2026