

**LAKE VILLAGE WATER ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

---

**DECEMBER 31, 2025 AND 2024**

**KERBAUGH, RODES & BUTLER, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**DANVILLE, KENTUCKY**

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# Kerbaugh, Rodes & Butler, PLLC

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## INDEPENDENT AUDITOR'S REPORT

Chairman and Commissioners  
Lake Village Water Association, Inc.  
Burgin, Kentucky 40310

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Lake Village Water Association, Inc. (a nonprofit organization) (the Association), which comprise the Statement of Assets, Liabilities, and Members' Equity-Statutory Basis as of December 31, 2025 and 2024, and the related Statements of Operations, Members' Equity, Operating Expenses, and Cash Flows-Statutory Basis 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 assets, liabilities, and members' equity-statutory basis of the Association as of December 31, 2025 and 2024, and the results of its operations-statutory basis and its cash flows-statutory basis for the years then ended, in accordance with the financial reporting practices prescribed or permitted by the U.S. Department of Agriculture, Rural Development Agency and the Commonwealth of Kentucky Public Service Commission (statutory basis) as described in Note 2.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Basis of Accounting*

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. As described in Note 2 to the financial statements, the financial statements are prepared by the Association in accordance with the financial reporting practices prescribed or permitted by the U.S. Department of Agriculture, Rural Development Agency and the Commonwealth of Kentucky Public Service Commission (statutory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Commonwealth of Kentucky Public Service Commission. 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 these financial statements in accordance with the financial reporting practices prescribed or permitted by the U.S. Department of Agriculture, Rural Development Agency and the Commonwealth of Kentucky Public Service Commission (statutory basis). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 GAAS 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 GAAS 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 the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 the Association's internal control over financial reporting and compliance.

***Kerbaugh, Rodes & Butler, PLLC***

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
March 30, 2026

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**STATEMENTS OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY-STATUTORY BASIS**  
**DECEMBER 31, 2025 AND 2024**

|                                          | <u>2025</u>         | <u>2024</u>         |
|------------------------------------------|---------------------|---------------------|
| <u>Assets</u>                            |                     |                     |
| Current Assets:                          |                     |                     |
| Cash (Note 3)                            | \$ 97,961           | \$ 23,159           |
| Accounts Receivable, Net (Note 2 and 4)  | 183,107             | 174,207             |
| Grant Receivable                         | 72,589              | -                   |
| Inventory (Note 2)                       | 85,532              | 57,862              |
| Prepaid Expenses (Note 2)                | <u>4,505</u>        | <u>7,839</u>        |
| Total Current Assets                     | 443,694             | 263,067             |
| Restricted Assets:                       |                     |                     |
| Cash (Note 3)                            | 291,799             | 267,943             |
| Property & Equipment, Net (Note 2 and 5) | <u>6,310,714</u>    | <u>6,553,695</u>    |
| Total Assets                             | <u>\$ 7,046,207</u> | <u>\$ 7,084,705</u> |
| <u>Liabilities &amp; Members' Equity</u> |                     |                     |
| Current Liabilities:                     |                     |                     |
| Current Portion - Debt (Note 6)          | \$ 179,929          | \$ 180,487          |
| Cash Overdraft (Note 3)                  | 87,351              | 54,676              |
| Accounts Payable                         | 57,847              | 46,439              |
| Accounts Payable - Contractors           | 78,820              | -                   |
| Due to Mercer Sanitation District        | 45,107              | 26,150              |
| Accrued Interest                         | 75,025              | 73,869              |
| Other Current Liabilities                | <u>98,835</u>       | <u>91,852</u>       |
| Total Current Liabilities                | 622,914             | 473,473             |
| Long - Term Debt (Note 6)                | <u>4,992,544</u>    | <u>5,170,026</u>    |
| Total Liabilities                        | 5,615,458           | 5,643,499           |
| Members' Equity:                         |                     |                     |
| Memberships                              | 854,068             | 823,638             |
| Contributions in Aid of Construction     | 4,264,254           | 4,146,363           |
| Retained Deficit                         | <u>(3,687,573)</u>  | <u>(3,528,795)</u>  |
| Total Equity                             | <u>1,430,749</u>    | <u>1,441,206</u>    |
| Total Liabilities & Members' Equity      | <u>\$ 7,046,207</u> | <u>\$ 7,084,705</u> |

The accompanying notes are an integral part of the financial statements.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**STATEMENTS OF OPERATIONS-STATUTORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

|                                                 | <u>2025</u>                    | <u>2024</u>                   |
|-------------------------------------------------|--------------------------------|-------------------------------|
| Operating Revenue:                              |                                |                               |
| Water Sales                                     | \$ 1,896,369                   | \$ 1,823,613                  |
| Management Fee Income                           | 47,300                         | 41,400                        |
| Other Operating Revenue                         | <u>31,669</u>                  | <u>17,246</u>                 |
| <br>Total Operating Revenue                     | <br>1,975,338                  | <br>1,882,259                 |
| <br>Operating Expenses                          | <br><u>1,614,291</u>           | <br><u>1,495,524</u>          |
| <br>Net Operating Income Before<br>Depreciation | <br>361,047                    | <br>386,735                   |
| <br>Depreciation (Note 2)                       | <br><u>370,426</u>             | <br><u>330,203</u>            |
| <br>Net Operating Income (Loss)                 | <br>(9,379)                    | <br>56,532                    |
| Non-Operating Income (Expenses):                |                                |                               |
| Interest Income                                 | 7,600                          | 7,921                         |
| Interest Expense                                | <u>(156,999)</u>               | <u>(155,665)</u>              |
| <br>Total Non-Operating Income (Expenses):      | <br><u>(149,399)</u>           | <br><u>(147,744)</u>          |
| <br>Net Income (Loss)                           | <br><u><u>\$ (158,778)</u></u> | <br><u><u>\$ (91,212)</u></u> |

The accompanying notes are an integral part of the financial statements.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**STATEMENTS OF MEMBERS' EQUITY-STATUTORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

|                              | <u>Memberships</u> | <u>Contributions<br/>in Aid of<br/>Construction</u> | <u>Retained<br/>Deficit</u> | <u>Total</u>        |
|------------------------------|--------------------|-----------------------------------------------------|-----------------------------|---------------------|
| Balance at January 1, 2024   | \$ 803,053         | \$ 4,049,477                                        | \$ (3,437,583)              | \$ 1,414,947        |
| 2024 Net Loss                | -                  | -                                                   | (91,212)                    | (91,212)            |
| Capital Contribution -       |                    |                                                     |                             |                     |
| Government                   |                    | 52,500                                              |                             | 52,500              |
| Water Loss Surcharge         |                    | 44,386                                              |                             | 44,386              |
| Memberships                  | <u>20,585</u>      | <u>-</u>                                            | <u>-</u>                    | <u>20,585</u>       |
| Balance at December 31, 2024 | 823,638            | 4,146,363                                           | (3,528,795)                 | 1,441,206           |
| 2025 Net Loss                | -                  | -                                                   | (158,778)                   | (158,778)           |
| Capital Contribution -       |                    |                                                     |                             |                     |
| Government                   |                    | 72,589                                              |                             | 72,589              |
| Water Loss Surcharge         |                    | 45,302                                              |                             | 45,302              |
| Memberships                  | <u>30,430</u>      | <u>-</u>                                            | <u>-</u>                    | <u>30,430</u>       |
| Balance at December 31, 2025 | <u>\$ 854,068</u>  | <u>\$ 4,264,254</u>                                 | <u>\$ (3,687,573)</u>       | <u>\$ 1,430,749</u> |

The accompanying notes are an integral part of the financial statements.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**STATEMENTS OF OPERATING EXPENSES-STATUTORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

|                                      | <u>2025</u>         | <u>2024</u>         |
|--------------------------------------|---------------------|---------------------|
| Source of Supply Expense:            |                     |                     |
| Water Purchases                      | \$ 679,101          | \$ 630,042          |
| Total                                | 679,101             | 630,042             |
| Transmission & Distribution Expense: |                     |                     |
| Maintenance & Repairs                | <u>65,088</u>       | <u>67,260</u>       |
| Total                                | 65,088              | 67,260              |
| Customer Accounts Expense:           |                     |                     |
| Supplies & Postage                   | <u>23,710</u>       | <u>24,344</u>       |
| Total                                | 23,710              | 24,344              |
| Administrative & General:            |                     |                     |
| Salaries                             | 506,808             | 476,579             |
| Insurance                            | 44,469              | 40,740              |
| Utilities                            | 28,310              | 28,835              |
| Office Supplies & Expense            | 25,775              | 21,340              |
| Transportation Expense               | 29,570              | 20,526              |
| Payroll Taxes                        | 38,245              | 36,012              |
| Staff Benefits                       | 88,800              | 68,034              |
| Legal Expense                        | 3,125               | 4,193               |
| Audit & Accounting                   | 9,000               | 10,525              |
| Commissioners' Fees                  | 30,000              | 30,000              |
| Engineering Fees                     | 3,775               | 4,140               |
| Miscellaneous General Expense        | 35,488              | 30,166              |
| Other Licenses & Taxes               | <u>3,027</u>        | <u>2,788</u>        |
| Total Administrative & General       | <u>846,392</u>      | <u>773,878</u>      |
| Total Operating Expenses             | <u>\$ 1,614,291</u> | <u>\$ 1,495,524</u> |

The accompanying notes are an integral part of the financial statements.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS-STATUTORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

|                                                                                        | <u>2025</u>       | <u>2024</u>        |
|----------------------------------------------------------------------------------------|-------------------|--------------------|
| Cash Flows From Operating Activities                                                   |                   |                    |
| Net Income (Loss)                                                                      | \$ (158,778)      | \$ (91,212)        |
| Adjustments to Reconcile Net Loss to Net Cash Provided<br>by Operating Activities:     |                   |                    |
| Depreciation                                                                           | 370,426           | 330,203            |
| Amortization of Bond Premium and Discount                                              | 1,438             | 1,438              |
| Decrease (Increase) in Accounts Receivable                                             | (8,900)           | (6,267)            |
| (Increase) Decrease in Grant receivable                                                | (72,589)          | 302,840            |
| Decrease (Increase) in Inventory                                                       | (27,670)          | (6,533)            |
| Decrease (Increase) in Prepaid Expenses                                                | 3,334             | 1,373              |
| Increase (Decrease) in Accounts Payable                                                | 11,408            | (17,771)           |
| Increase (Decrease) in Due to Sanitation District                                      | 18,957            | 4,272              |
| Increase (Decrease) in Accrued Interest                                                | 1,156             | 15,967             |
| Increase (Decrease) in Other Current Liabilities                                       | 6,983             | (13,654)           |
| Net Cash Provided By (Used In) Operating Activities                                    | <u>145,765</u>    | <u>520,656</u>     |
| Cash Flows From Investing Activities                                                   |                   |                    |
| Construction/Acquisition of Property & Equipment                                       | <u>(48,625)</u>   | <u>(1,239,020)</u> |
| Net Cash Provided By (Used In) Investing Activities                                    | <u>(48,625)</u>   | <u>(1,239,020)</u> |
| Cash Flows From Financing Activities                                                   |                   |                    |
| Memberships (Tap Fees)                                                                 | 30,430            | 20,585             |
| Water Loss Surcharge                                                                   | 45,302            | 44,386             |
| New Borrowings on Debt                                                                 | -                 | 767,861            |
| Capital Grants Received                                                                | 72,589            | 52,500             |
| Principal Payments on Debt                                                             | <u>(179,478)</u>  | <u>(205,291)</u>   |
| Net Cash Provided By (Used In) Financing Activities                                    | <u>(31,157)</u>   | <u>680,041</u>     |
| Net Increase (Decrease) in Cash                                                        | 65,983            | (38,323)           |
| Cash at Beginning of Year                                                              | <u>236,426</u>    | <u>274,749</u>     |
| Cash at End of Year                                                                    | <u>\$ 302,409</u> | <u>\$ 236,426</u>  |
| Reconciliation of Cash to the Statements of Assets, Liabilities, and Members' Equity:  |                   |                    |
| Unrestricted cash                                                                      | \$ 97,961         | \$ 23,159          |
| Restricted cash                                                                        | 291,799           | 267,943            |
| Cash overdraft                                                                         | <u>(87,351)</u>   | <u>(54,676)</u>    |
| Total Cash                                                                             | <u>\$ 302,409</u> | <u>\$ 236,426</u>  |
| Supplemental Disclosure of Cash Flow Information:                                      |                   |                    |
| Cash Paid During the Year for Interest                                                 | <u>\$ 154,405</u> | <u>\$ 138,260</u>  |
| Supplemental Disclosure of Non-Cash Investing Activities:                              |                   |                    |
| Property & Equipment Acquired and Included in Accounts<br>Payable - Contractors        | <u>\$ 78,820</u>  | <u>\$ -</u>        |
| Supplemental Disclosure of Non-Cash Non-Capital Financing<br>and Investing Activities: |                   |                    |
| Amortization of bond issuance costs                                                    | \$ 2,784          | \$ 2,784           |
| Amortization of bond premium                                                           | \$ 1,346          | \$ 1,346           |

The accompanying notes are an integral part of the financial statements.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**1. General**

Lake Village Water Association, Inc., (the "Association") is a not-for-profit corporation. The Association provides water services to the rural sections of Boyle and Mercer counties.

**2. Summary of Significant Accounting Policies**

- A. The Association uses the accrual method of accounting, and accordingly reflects all significant prepaids, receivables, payables, and other liabilities. Certain disclosures have been included in this report to conform to Rural Development Agency (RD) requirements. Also, the Association's financial statements differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America in that the statements include a statement of assets, liabilities, and members' equity, statement of operations, statement of members' equity, statement of operating expenses, and statement of cash flows.
- B. For purposes of the statement of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- C. Management uses estimates and assumptions in preparing the financial statements. 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 differ from those estimates.
- D. The Association's sales are delivered daily as customers use water, at which time ownership, risks, and rewards transfer. Revenue is recognized at the end of the month when the customer's usage is measured and billed. Control of water transfers to the customer as they consume it. Water tap-on fees for new services and PSC water loss surcharges are recognized as revenue in the periods received and then reflected as membership fees and capital contributions, respectively, in the statements of members' equity.

Customers have the right to claim adjustments for leaks once per year or to correct errors from meter reading. The Association recognizes revenue in the amount to which it expects to be entitled, that is, net of estimated adjustments. Based on past experience, the Association does not anticipate a significant amount of adjustments and, therefore, has not accrued an adjustment liability.

- E. Receivables for water sales are recorded monthly following reading of meters. Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. All receivables in excess of 90 days old comprise the allowance for uncollectibles.
- F. Property and equipment are stated at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Transmission lines and standpipes are being depreciated over a 33-year life; office furniture and equipment over a 5 to 10-year life; buildings and improvements over a 20-year life.
- G. A statutory mortgage lien exists on the utility plant in favor of the Rural Development Agency (RD), with loans being collateralized by and payable from gross revenues of the Association including all assets of the Association.
- H. Material inventory is stated at cost using the first-in, first-out (FIFO) method.
- I. Prepaid items include payments made to vendors that will benefit future periods.
- J. Restricted assets represent cash for which use is limited by applicable loan covenants.
- K. Management has evaluated subsequent events through March 30, 2026, the date the financial statements were issued, and has determined that there are no items requiring disclosure.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**3. Cash**

The Association maintains cash in two local banks and is required by Rural Development (RD) loan agreements to have the financial institutions pledge securities having a current quoted market value at least equal to the uninsured deposits. At December 31, 2025, the carrying amount of the Association's cash was \$302,410 and the bank balance was \$421,873. At December 31, 2024, the carrying amount of the Association's cash was \$236,426 and the bank balance was \$314,179. At December 31, 2025 and 2024, all bank balances were covered by federal depository insurance.

Cash is composed of the following with restriction for use noted:

|                                      |   | 2025              | 2024              |
|--------------------------------------|---|-------------------|-------------------|
| Cash on Hand                         |   | \$ 50             | \$ 50             |
| Cash on Deposit-Operating Account    | A | (87,351)          | (54,676)          |
| Cash on Deposit-Revenue Account      | B | (2,903)           | (7,980)           |
| Cash on Deposit-Customer Deposits    | C | 13,479            | 11,184            |
| Cash on Deposit-Construction Project | D | -                 | -                 |
| Savings Accounts:                    |   |                   |                   |
| Debt Service Account                 | E | 25,398            | 32,010            |
| Sinking Fund                         | F | 161,618           | 151,257           |
| Depreciation Account                 | G | 100,814           | 31,090            |
| Reserve Account                      | H | 24,649            | 11,330            |
| Water Loss Surcharge                 | I | 66,655            | 62,161            |
| TOTAL                                |   | <u>\$ 302,409</u> | <u>\$ 236,426</u> |

- (A) The operating and maintenance account is the primary operating account of the Association. It is funded by transfers from the revenue account and is used to pay all operating expenses of the Association. The operating and maintenance account operates on an imprest basis; thus, the overdraft in this account represents outstanding checks at year-end.
- (B) The revenue account, required by RD loan agreements, is used for the deposit of all funds collected and for the disbursement of funds to the proper bank accounts.
- (C) The customer deposit account is used to handle required deposits by new customers.
- (D) This account is maintained by the Association to account for the cash receipts and disbursements related to certain water system improvement projects undertaken during the year.
- (E) The Association is required to transfer funds monthly to the debt service account to meet the monthly installments for principal and interest on the RD loans outstanding.
- (F) The Association is required to transfer funds monthly to the sinking fund account to meet the monthly installments for principal and interest on the Kentucky Rural Water Finance Corporation loans outstanding.
- (G) The depreciation account is used by the Association to maintain excess unrestricted funds so that they will earn interest.
- (H) The Association is required to transfer funds monthly to the reserve account in amounts specified by RD. The use of this fund is restricted to paying the cost of repairing or replacing, making extensions or improvements, or when necessary for payment of principal and interest.
- (I) In accordance with the Association's rate increase in 2022, the Association is required to charge a water loss surcharge of \$1.61 per active meter per month for 48 months to recover the cost of its effort in water leak detection and repair. The funds may not be expended without authorization by the Public Service Commission.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

During the years ended December 31, 2025, the required transfers were made. During the year ended December 31, 2024, the required transfers were made, but were transferred out to fund operations.

**4. Accounts Receivable**

Accounts receivable aging at December 31, 2025 and 2024 was as follows:

|                          | 2025              | 2024              |
|--------------------------|-------------------|-------------------|
| Current                  | \$ 172,938        | \$ 163,833        |
| 30-59 Days               | 8,317             | 11,795            |
| 60-89 Days               | 2,532             | 4,976             |
| Over 90 Days             | 1,270             | 1,736             |
| Less: Allowance          | (1,950)           | (8,133)           |
| Accounts Receivable, Net | <u>\$ 183,107</u> | <u>\$ 174,207</u> |

Accounts receivable at December 31, 2023, was \$167,940.

**5. Property and Equipment**

Property and equipment consists of the following at December 31:

|                                | 2025                | 2024                |
|--------------------------------|---------------------|---------------------|
| Land                           | \$ 62,409           | \$ 62,409           |
| Buildings & Improvements       | 141,085             | 141,085             |
| Supply Mains                   | 44,695              | 22,085              |
| Pump Station                   | 200,431             | 200,431             |
| Standpipes & Storage Tanks     | 2,529,454           | 2,450,633           |
| Water Lines                    | 9,676,850           | 9,676,850           |
| Customer Services              | 189,926             | 189,926             |
| Meters                         | 532,095             | 507,496             |
| Hydrants                       | 1,960               | 1,960               |
| Office Furniture               | 79,021              | 79,021              |
| Transportation Equipment       | 240,241             | 240,241             |
| Other Equipment                | 83,968              | 83,968              |
| Other Tangible Plant           | 223,235             | 223,235             |
| Construction in Process        | 55,800              | 54,385              |
| Total                          | 14,061,170          | 13,933,725          |
| Less: Accumulated Depreciation | (7,750,456)         | (7,380,030)         |
| Property & Equipment, Net      | <u>\$ 6,310,714</u> | <u>\$ 6,553,695</u> |

**6. Long-Term Debt**

In July 2021, the Association refinanced RD Loan 91-10 and RD Loan 91-09 by issuing \$2,250,000 Kentucky Rural Water Finance Corporation Taxable Public Projects Refunding Revenue Bonds, Series 2021B. The Bonds bear interest ranging from 2.2% to 3.2%. The net present value of the savings resulting from the refinancing was \$253,766.

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

The following debt obligations were outstanding at December 31, 2025 and 2024:

|                                                                                                                                                                                                                                                                                                                           | 2025                | 2024                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Note payable - Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C. Fixed interest rate ranging from 3.0% to 4.25%. Interest payments are due semi-annually. Principal payments are due annually in amounts ranging from \$25,000 to \$70,000. | \$ 605,000          | \$ 670,000          |
| Loan 91-11 - 2.75%, \$656,000 promissory note to the Department of Agriculture, Rural Development, due in annual installments ranging from \$27,940 to \$28,044 beginning July 11, 2019 through 2056, including principal and interest.                                                                                   | 583,974             | 593,522             |
| Kentucky Rural Water Finance Corporation Taxable Public Projects Refunding Revenue Bonds, Series 2021B, \$2,250,000. Fixed interest rates ranging from 2.2% to 3.2%. Annual principal payments and semi-annual interest payments through maturity, which is December 31, 2050.                                            | 2,020,000           | 2,080,000           |
| Loan 91-12 - 2.375% \$2,089,290 promissory note to the Department of Agriculture, Rural Development, due in annual installments of \$81,540 through May 25, 2063, including principal and interest.                                                                                                                       | 2,000,167           | 2,033,447           |
| Truck Note Payable - Farmer's National Bank, \$29,842. Fixed interest rate at 6.85% due in monthly installments of \$1,335, including principal and interest through September 19, 2025. The note is secured by the truck with a net book value of \$28,864.                                                              | -                   | 11,651              |
| Total Outstanding Bonds                                                                                                                                                                                                                                                                                                   | 5,209,141           | 5,388,620           |
| Bond issuance costs                                                                                                                                                                                                                                                                                                       | (70,983)            | (73,767)            |
| Bond Premium                                                                                                                                                                                                                                                                                                              | 34,315              | 35,660              |
| LESS: Current Portion                                                                                                                                                                                                                                                                                                     | (179,929)           | (180,487)           |
| Long-Term Debt                                                                                                                                                                                                                                                                                                            | <u>\$ 4,992,544</u> | <u>\$ 5,170,026</u> |

The above notes payable to Kentucky Rural Water Corporation and Rural Development are secured by gross revenues and all property and equipment of the Association.

A schedule of maturities on the above debt is as follows:

| Year Ending December 31, | Amount              |
|--------------------------|---------------------|
| 2026                     | \$ 179,929          |
| 2027                     | 166,051             |
| 2028                     | 172,200             |
| 2029                     | 178,378             |
| 2030                     | 179,585             |
| 2031-2035                | 922,119             |
| 2036-2040                | 747,178             |
| 2041-2045                | 826,859             |
| 2046-2050                | 786,773             |
| 2051-2055                | 437,614             |
| 2056-2060                | 382,213             |
| 2061-2063                | 230,242             |
| Total                    | <u>\$ 5,209,141</u> |

**LAKE VILLAGE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**7. Income Taxes**

During 1973, the Association applied for and obtained tax exempt status from the Internal Revenue Service under Section 501(C) (12) of the Internal Revenue Code.

**8. Other Matters**

(A) The Association has not been assessed or paid any property, intangible or franchise tax in prior years. Since there is some uncertainty about the taxability of a "water association", the financial statements do not reflect any liability for unpaid taxes, if any.

|                                           | <u>2025</u>        | <u>2024</u>        |
|-------------------------------------------|--------------------|--------------------|
| (B) Active Meter Customers - December 31, | 2,432              | 2,373              |
| (C) Water Loss (Gallons):                 |                    |                    |
| Water Purchases                           | 196,285,087        | 205,078,311        |
| Water Sold and Used in Operations         | <u>175,107,600</u> | <u>165,633,208</u> |
| Line loss                                 | 21,177,487         | 39,445,103         |
| Percentage of Line Loss                   | 10.79%             | 19.23%             |

**9. Risk Management**

The Association is exposed to a variety of accidental losses and has attempted to minimize its risk by carrying commercial insurance. There have been no significant reductions in coverage from coverage in the prior year.

**10. Capital Projects Planned and in Process**

The Association is in the early planning and design phase of the Contract 15 Project. Funding sources and cost estimates have not been finalized as of the date of this report.

**11. Contract with Mercer County Sanitation District**

On August 1, 2016, the Association entered into an agreement with the Mercer County Sanitation District whereby the Association provides management, secretarial, billing, bookkeeping, budgeting, office space, and various other services to the Sanitation District for an annual fee of \$35,000 payable in equal monthly installments. Effective July 1, 2021, the agreement was amended to increase the annual fee to \$40,000, paid in monthly installments. Effective October 1, 2025, the agreement was amended to increase the annual fee to \$65,000, paid in monthly installments. The fee increases annually at the rate of 3.5% through September 30, 2028. The contract is cancelable by either party upon 60 days written notice.

**12. Retirement Plan**

The Association sponsors a Simple Employee Pension IRA for all qualifying employees. Under the terms of the plan, the Association makes a discretionary contribution up to 10% of the employee's salary. For the years ended December 31, 2025, the Association accrued a 10% contribution, totaling \$38,251. For the year ended December 31, 2024, the Association approved a 10% contribution, totaling \$44,272.

## **COMPLIANCE SECTION**

# Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

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## INDEPENDENT AUDITOR'S 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*

Chairman and Commissioners  
Lake Village Water Association, Inc.  
Burgin, Kentucky 40310

We have audited, 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, the financial statements of the Lake Village Water Association, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and members' equity-statutory basis as of December 31, 2025, and the related statements of operations, members' equity, operating expenses, and cash flows-statutory basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2026

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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*.

### **The Association's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
March 30, 2026

**LAKE VILLAGE WATER ASSOCIATION, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**2025-001 - The Association should have internal controls in place that enable it to prepare complete financial statements (recurring)**

*Criteria:* The Association is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in accordance with the statutory basis of accounting described in Note 2 to the financial statements.

*Condition:* Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements.

*Cause:* The Association lacks personnel with the expertise to draft the financial statements, including the related note disclosures, in accordance with the statutory basis of accounting described in Note 2 to the financial statements.

*Effect:* The auditor prepared draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

*Recommendation:* We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements.

*Response:* Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes. Management has reviewed and accepts responsibility for the financial statements.