

Rowan Water, Inc.
Basic Financial Statements
For the Years Ended December 31, 2024 and 2023



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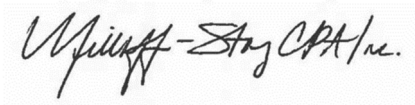
Rowan Water, Inc.
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For the Years Ended December 31, 2024 and 2023

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Independent Accountant's Compilation Report

Members of the Board
Rowan Water, Inc.
1765 Christy Creek
Morehead, Kentucky 40351

Management is responsible for the accompanying financial statements of Rowan Water, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

March 28, 2025

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Rowan Water, Inc.
Statements of Financial Position
As of December 31, 2024 and December 31, 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Current Assets		
Cash and cash equivalents	\$849,877	\$712,502
Accounts receivable customers (net of allowances for uncollectibles of \$43,096 and \$29,845, respectively)	490,368	417,185
Grants receivable	188,473	0
Inventory	<u>226,889</u>	<u>204,820</u>
Total current assets	1,755,607	1,334,507
Other Assets		
Restricted cash	460,908	254,248
Utility deposits	<u>1,415</u>	<u>1,045</u>
Total other assets	<u>462,323</u>	<u>255,293</u>
Property, Plant and Equipment		
Land and land rights	228,215	228,215
Building	899,538	899,538
Pumping plant	1,196,821	1,196,821
Transmission and distribution lines	19,993,502	18,873,341
Office furniture, fixtures and equipment	72,473	72,474
Machinery and equipment	1,035,029	870,863
Construction work in progress	<u>1,440,834</u>	<u>0</u>
	24,866,412	22,141,252
Less: accumulated depreciation	<u>(12,359,516)</u>	<u>(11,823,222)</u>
Property, plant and equipment (net)	<u>12,506,896</u>	<u>10,318,030</u>
Total assets	<u><u>\$14,724,826</u></u>	<u><u>\$11,907,830</u></u>

(continued)

See accompanying notes to the financial statements.
See independent accountant's compilation report.

Rowan Water, Inc.
Statements of Financial Position (Continued)
As of December 31, 2024 and December 31, 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets:		
Current Liabilities		
Accounts payable	\$313,699	\$274,165
Contracts payable	188,473	0
Accrued interest payable	73,606	68,319
Other accrued expenses	142,143	138,519
Customer deposits	126,070	122,230
Current portion of finance leases	72,421	34,128
Current portion of long-term debt	<u>256,088</u>	<u>230,551</u>
Total current liabilities	<u>1,172,500</u>	<u>867,912</u>
Long-Term Debt		
Finance leases, less current portion	29,837	19,682
Notes and bonds payable, less current portion	<u>6,239,123</u>	<u>5,375,213</u>
Total liabilities	7,441,460	6,262,807
Net Assets		
Without donor restrictions	<u>7,283,366</u>	<u>5,645,023</u>
Total net assets	<u>7,283,366</u>	<u>5,645,023</u>
Total liabilities and net assets	<u><u>\$14,724,826</u></u>	<u><u>\$11,907,830</u></u>

See accompanying notes to the financial statements.
See independent accountant's compilation report.

Rowan Water, Inc.
Statements of Activities
For the Years Ended December 31, 2024 and December 31, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	
Changes in Net Assets Without Donor Restrictions:				
Revenues, gains and other support:				
Water sales	\$4,227,601	\$0	\$4,227,601	\$3,798,419
Federal grants in aid of construction	0	320,834	320,834	0
Other grants in aid of construction	996,879	0	996,879	0
Interest income	38,036	0	38,036	54,040
Miscellaneous	169,961	0	169,961	172,066
Gain on disposal of assets	67,501	0	67,501	156,596
Support provided by expiring purpose restrictions	320,834	(320,834)	0	0
Total revenues, gains and other support	5,820,812	0	5,820,812	4,181,121
Expenses:				
Program services				
Supply operations	1,578,072	0	1,578,072	1,547,097
Transmission and distribution	1,715,275	0	1,715,275	1,646,942
Total program expenses	3,293,347	0	3,293,347	3,194,039
Supporting services				
Administration and general	889,122	0	889,122	844,159
Total expenses	4,182,469	0	4,182,469	4,038,198
Change in net assets	1,638,343	0	1,638,343	142,923
Net assets, beginning of year	5,645,023	0	5,645,023	5,502,100
Net assets, end of year	<u>\$7,283,366</u>	<u>\$0</u>	<u>\$7,283,366</u>	<u>\$5,645,023</u>

See accompanying notes to the financial statements.
See independent accountant's compilation report.

Rowan Water, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services			Supporting Services	
	Supply Operations	Transmission & Distribution	Total	Administration & General	Total Expenses
Salaries-employees	\$0	\$396,950	\$396,950	\$253,788	\$650,738
Board member fees	0	0	0	28,808	28,808
Employee retirement and benefits	0	195,281	195,281	124,851	320,132
Payroll tax expense	0	26,128	26,128	16,704	42,832
Purchased water	1,578,072	0	1,578,072	0	1,578,072
Purchased power	0	159,107	159,107	0	159,107
Materials and supplies	0	173,634	173,634	15,897	189,531
Contractual services-accounting	0	0	0	59,139	59,139
Contractual services-water	0	18,831	18,831	0	18,831
Contractual services-other	0	24,339	24,339	0	24,339
Transportation expenses	0	51,035	51,035	0	51,035
Insurance	0	0	0	59,075	59,075
Bad debt expense	0	0	0	22,253	22,253
Miscellaneous expenses	0	30,523	30,523	122,348	152,871
Interest expense	0	0	0	173,209	173,209
Depreciation expense	0	639,447	639,447	13,050	652,497
	<u>\$1,578,072</u>	<u>\$1,715,275</u>	<u>\$3,293,347</u>	<u>\$889,122</u>	<u>\$4,182,469</u>

See accompanying notes to the financial statements.

See independent accountant's compilation report.

Rowan Water, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services			Supporting Services	
	Supply Operations	Transmission & Distribution	Total	Administration & General	Total Expenses
Salaries-employees	\$0	\$341,598	\$341,598	\$218,399	\$559,997
Board member fees	0	0	0	28,366	28,366
Employee retirement and benefits	0	192,128	192,128	122,836	314,964
Payroll tax expense	0	26,924	26,924	17,213	44,137
Purchased water	1,547,097	0	1,547,097	0	1,547,097
Purchased power	0	163,128	163,128	0	163,128
Materials and supplies	0	166,605	166,605	12,689	179,294
Contractual services-accounting	0	0	0	54,284	54,284
Contractual services-water	0	12,483	12,483	0	12,483
Contractual services-other	0	37,199	37,199	0	37,199
Transportation expenses	0	55,129	55,129	0	55,129
Insurance	0	0	0	53,010	53,010
Bad debt expense	0	0	0	34,674	34,674
Miscellaneous expenses	0	26,035	26,035	124,114	150,149
Interest expense	0	0	0	165,804	165,804
Depreciation expense	0	625,713	625,713	12,770	638,483
	<u>\$1,547,097</u>	<u>\$1,646,942</u>	<u>\$3,194,039</u>	<u>\$844,159</u>	<u>\$4,038,198</u>

See accompanying notes to the financial statements.

See independent accountant's compilation report.

Rowan Water, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2024 and December 31, 2023

	2024	2023
Cash flows from operating activities		
Cash received from customers	\$4,135,635	\$3,698,282
Cash received from other receipts	169,961	172,066
Cash payments for personal services	(1,038,886)	(946,445)
Cash payments for contractual services, supplies and materials	(2,121,664)	(1,975,158)
Cash payments for other expenses	(152,871)	(150,149)
Net cash provided by operating activities	992,175	798,596
Cash flows from investing activities		
Purchases of plant and equipment	(2,494,391)	(97,044)
Interest income received	38,036	54,040
Net cash used in investing activities	(2,456,355)	(43,004)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	1,120,000	0
Proceeds from interim financing	814,051	0
Principal payments on long-term debt	(1,087,154)	(276,035)
Interest paid on long-term debt	(167,922)	(169,342)
Other nonoperating income (expenses)	0	0
Capital contributions - membership fees	0	0
Capital contributions - federal grants in aid of construction	1,129,240	0
Net cash used by financing activities	1,808,215	(445,377)
Net change in cash and cash equivalents	344,035	310,215
Cash and cash equivalents, beginning of year	966,750	656,535
Cash and cash equivalents, end of year	<u>\$1,310,785</u>	<u>\$966,750</u>

Noncash Transactions

Vehicle acquisitions under finance leases	\$189,282	\$233,719
Inception of finance lease for vehicle purchases	(101,051)	(42,068)
Trade in value on disposed automotive equipment	77,003	69,841

See accompanying notes to the financial statements.
See independent accountant's compilation report.

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 1 – Description of the Organization

Rowan Water, Inc. (the Company) was established in 1968 to serve customers outside the city limits of Morehead, Kentucky. The Company started with a couple hundred customers and has now grown to over 7,500 customers. The Company serves Rowan, Carter, Elliot, Morgan and Fleming Counties. Rowan Water also sells water to Olive Hill and Fleming Water. The Company is a non-profit corporation with no political affiliation. The Company has 11 employees. The Company has over 700 miles of water line in the ground to maintain. The Company has 11 tanks and 11 pump stations.

Note 2 – Summary of Significant Accounting Policies

The Company prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Company are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The Company prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

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

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Company, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Company must continue to use the resources in accordance with the donor's instructions.

An organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Company, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions are further discussed in note 5.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers unrestricted cash and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

The Company is required to disclose limits on certain assets due to external restrictions or contractual requirements. The Company reports restricted cash balances of \$342,023 and \$141,319 at December 31, 2024 and 2023, respectively, which represents cash reserves required by debt covenants. The Company also reports restricted cash balances of \$118,885 and \$112,929 at December 31, 2024 and 2023, respectively, which represents sinking fund contributions required by debt covenants.

Accounts Receivable

Accounts receivable are primarily amounts owed on December billings, including delinquencies from previous months. This balance has been reported net of an allowance for uncollectible accounts, estimated based on past experience.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Plant, Property, and Equipment

Utility plant is stated at original cost, net of contributions, which is the cost when first dedicated to public service. Such costs include applicable supervisory and overhead costs. All other fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Company maintains a capitalization threshold of five thousand dollars for all items added to the utility plant with an estimated useful life of three or more years.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to the utility plant. The Company capitalizes labor on certain capitalized assets constructed by the Company. The amounts capitalized for 2024 and 2023 are \$5,723 and \$10,080, respectively.

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Provisions for depreciation have been made on the basis of estimated lives of assets, using the straight-line method. Depreciable lives for the various assets are as follows:

Building	45 Years
Pumping plant	10-25 Years
Transmission and distribution	10-50 Years
Furniture and fixtures	5-10 Years
Equipment	3-7 Years

Interest incurred during construction periods on funds used to finance construction of capital assets is capitalized as part of the cost of those assets. Interest capitalized in 2024 and 2023 was \$0.

Grant Revenue

Federal grants in aid of construction consist of federal grants for the construction of water mains to serve customers. The Company capitalizes the costs of such mains. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Company's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization. The Company did not receive any grant funds in 2023. The Company reported \$320,834 in federal grant funds in 2024.

Expense Recognition and Allocation

The cost of providing the Company's programs and activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Company.

Income Tax Status

The Company is exempt from Federal income taxes under Section 501(c)(12) of the Internal Revenue Code of 1954; accordingly, the accompanying financial statements include no provision for such taxes.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024 are:

Financial assets:	
Cash	\$1,310,785
Accounts and grants receivable	678,841
Utility deposits	<u>1,415</u>
Total financial assets	1,991,041
Less financial assets held to meet donor-imposed restrictions:	
USDA grant receivable	188,473
Less contractually-required funds:	
Cash restricted for debt covenants	<u>460,908</u>
Amount available for general expenditures within one year	<u>\$1,341,660</u>

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 are:

Financial assets:	
Cash	\$966,750
Accounts receivable	417,185
Utility deposits	<u>1,045</u>
Total financial assets	1,384,980
Less contractually-required funds:	
Cash restricted for debt covenants	<u>254,248</u>
Amount available for general expenditures within one year	<u>\$1,130,732</u>

The above tables reflect donor-restricted and contractually-restricted funds as unavailable because the Company is required to separately hold these funds to be used for specific construction projects or for the set-aside of debt reserves and sinking fund contributions required by debt covenants. As part of the Company's liquidity management plan, the Company holds all unrestricted cash in demand deposit accounts.

Note 4 – Bank Deposits

The Company maintains bank accounts at US Bank and Morehead Community Federal Credit Union. Accounts at these institutions are insured up to \$250,000 per bank. As of December 31, 2024 and 2023, the Company's bank balances were \$1,331,643 and \$1,019,772, respectively, of which \$602,541 and \$588,628, respectively, was insured by the banks. The remaining balances were not insured.

Note 5 – Net Assets With Donor Restrictions

At December 31, 2024 and 2023, the Company held no net assets with donor restrictions.

Note 6 – Group Concentration of Credit Risk

The Company is located in Morehead, Kentucky. Its service area includes portions of several counties surrounding the City. The Company requires a deposit from its members when services are provided to rental property. Such deposits are applied to unpaid bills in the event of default.

Note 7 – Commitments

Under its wholesale water agreement, the Company is committed to purchase its water from another local utility. The rates paid for such purchases are subject to review and revision. The Company has also entered into a long-term water resale contract with a local water district whereby the Company is committed to provide water, as provided in the contract, to the district over the next 25 years.

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 8 – Long-Term Debt and Capital Lease Obligations

Long-Term Debt

Long-term debt at December 31, 2024 and 2023 consisted of:

	2024	2023
4.125% secured promissory note dated October 24, 2007, due to USDA, Rural Development 40 years from the date of this note with annual installments of \$31,076, including interest, until maturity.	\$462,688	\$474,650
2.75% secured promissory note to USDA, Rural Development dated July 11, 2012, due 40 years from the date of this note with annual installments of \$18,596, including interest, maturing July 2052.	770,091	788,216
2.75% secured promissory note to USDA, Rural Development dated July 11, 2012, due 40 years from the date of this note with annual installments of \$2,641, including interest, maturing July 2052.	82,718	84,664
2.625% secured promissory note to USDA, Rural Development dated September 15, 2017, due 40 years from the date of this note with annual installments of \$44,993, including interest, maturing September 2057.	975,334	994,234
2.25% secured promissory note to USDA, Rural Development dated January 30, 2020, due 40 years from the date of this note with annual installments of \$45,948, including interest, maturing December 2061.	1,114,380	1,144,000
3.20% flexible term program series 2021B refunding bonds payable to Kentucky Rural Water Finance Corporation dated July 1, 2021, due 24 years from the date of this note with annual principal and semi-annual interest payments, maturing on July 1, 2044.	1,970,000	2,120,000
2.00% secured promissory note dated August 14, 2024, due to USDA, Rural Development 40 years from the date of this note with annual installments of \$40,948, including interest, until maturity.	1,120,000	0
Total	6,495,211	5,605,764
Less: principal payments due within one year classified as current liability	(256,088)	(230,551)
	<u>\$6,239,123</u>	<u>\$5,375,213</u>

The Company entered into a bond agreement with Kentucky Rural Water Finance Corporation on July 1, 2021 for \$2,400,000. This agreement requires a monthly sinking fund payment through the term of the bonds.

The Company secured interim financing with First National Bank on March 1, 2024 in the amount of \$1,201,010. The Company utilized this loan until August 14, 2024. At that time, the Company paid the balance of \$814,051 off in full.

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Maturities of long-term debt are as follows:

2025	\$256,088
2026	263,497
2027	270,977
2028	278,519
2029	286,130
Thereafter	<u>5,140,001</u>
Total	<u>\$6,495,212</u>

Operating facilities, together with all revenue and service charges which may arise from operations of the Company, are pledged as security for the notes payable to USDA, Rural Development.

The notes payable agreements with the United States Department of Agriculture, Rural Development (USDA, RD) require that depreciation reserve accounts be established as follows:

- (A) For the note dated October 24, 2007, the Company is required to deposit \$265 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$31,800.
- (B) For the notes dated July 11, 2012, the Company is required to deposit \$410 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$49,200.
- (C) For the note dated September 15, 2017, the Company is required to deposit \$385 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$46,200.
- (D) For the note dated January 30, 2020, the Company is required to deposit \$425 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$51,000.
- (E) For the note dated August 14, 2024, the Company is required to deposit \$341.23 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$40,948.

The required balances of the depreciation reserve at December 31, 2024 and 2023 were \$124,020 and \$124,020, respectively. The amounts in the depreciation reserves at December 31, 2024 and 2023 were \$141,319 and \$141,319, respectively. Depreciation reserves were fully funded as of December 31, 2024. Since the project associated with the note dated August 14, 2024 was not completed as of December 31, 2024, the Company was not required to make any deposits for this reserve during 2024.

Finance Leases

In 2019, 2020, and 2021, the Company entered into finance leases for vehicles. In a prior year, two of the four vehicles from the 2019 and 2020 leases were traded in on leases the Company entered into in 2021. In the prior year, the remaining two of the four vehicles from the 2019 lease, one of the four vehicles from the 2020 lease, and both vehicles from the 2021 lease were traded in on leases the Company entered into in 2023. In the current year, the remaining three vehicles from the 2021 leases were traded in on leases the Company entered into in 2024. The monthly lease payment for the 2020 leases is \$1,421 through 2025. The monthly lease payment for the 2023 leases is \$2,766 through August 2025. The monthly lease payment for the 2024 leases is \$2,387 through July 2029. Leased vehicles were capitalized in the amount of \$508,430 and carried an accumulated depreciation of \$100,129 at December 31, 2024.

Rowan Water, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Maturities of the finance lease are as follows:

2025	\$43,884
2026	28,638
2027	28,638
2028	28,638
2029	16,705
Total Payments	146,503
Amount Representing Interest	(44,245)
Finance Lease Obligation	<u>\$102,258</u>

Note 9 – Pension Plan

Pension benefits are provided for substantially all employees through an insurance company, under a defined contribution pension plan. The Company contributes 7% of each employee's gross salary to a Simple IRA. The Company's pension contributions for 2024 and 2023 were \$36,356 and \$32,515, respectively.

Note 10 – Membership Fees

The Company uses the membership fees account to record membership fees collected from new customers (members). Membership fees collected in 2024 and 2023 amounted to \$378 and \$471, respectively.

Note 11 – Tap-On Fees

The Company uses the tap-on fees account to record tap fees collected from new customers (members). Tap fees collected in 2024 and 2023 amounted to \$80,727 and \$97,758, respectively. These fees are included in miscellaneous revenue on the financial statements.

Note 12 – Accrued Sick Leave

Accrued sick leave balances at December 31, 2024 and 2023 were \$118,231 and \$111,294, respectively.

Note 13 – Subsequent Events

Management has performed an analysis for the activities and transactions subsequent to December 31, 2024 to determine the need for any adjustments or disclosures within the financial statements for the year ended. Management has performed their analysis through March 28, 2025, which is the date the financial statements were available to be issued.