SOUTH LOGAN WATER ASSOCIATION, INC.

COMPILED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

SOUTH LOGAN WATER ASSOCIATION, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2025

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ACCOUNTANTS' COMPILATION REPORT

Commissioners
South Logan Water Association, Inc.
Adairville, Kentucky

Management is responsible for the accompanying financial statements of South Logan Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements in 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 2025 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The 2024 financial statements were audited by other accountants, and they expressed an unmodified opinion on them in their report dated July 11, 2025. They have not performed any auditing procedures since that date.

We are not independent with respect to South Logan Water Association, Inc.

Respectfully submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
March 10, 2026

SOUTH LOGAN WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

	DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 889,497	$ 745,402
Restricted cash	666,618	627,996
Accounts receivable, net of allowance for doubtful accounts of $83,062 and $56,456	123,590	123,267
Inventory	154,474	127,845
Prepaid expenses	7,648	7,077
TOTAL CURRENT ASSETS	1,841,827	1,631,587
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, net of depreciation	5,275,135	5,185,671
Construction in progress	0	54,031
NET PROPERTY, PLANT AND EQUIPMENT	5,275,135	5,239,702
OTHER ASSETS	44	45
TOTAL ASSETS	$ 7,117,006	$ 6,871,334
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 62,513	$ 65,092
Current portion of long-term debt	92,681	89,174
Customer deposits	131,912	129,330
Accrued liabilities	7,102	5,708
Accrued interest	39,758	41,312
Unearned revenue	0	850
TOTAL CURRENT LIABILITIES	333,966	331,466
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	2,628,604	2,723,871
TOTAL LONG-TERM LIABILITIES	2,628,604	2,723,871
TOTAL LIABILITIES	2,962,570	3,055,337
NET ASSETS		
With donor restrictions	2,517,088	2,374,289
Without donor restrictions	1,637,348	1,441,708
TOTAL NET ASSETS	4,154,436	3,815,997
TOTAL LIABILITIES AND NET ASSETS	$ 7,117,006	$ 6,871,334

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

SOUTH LOGAN WATER ASSOCIATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Water service	$ 1,508,197	$ 1,356,831
Late charges	17,857	20,541
Other revenues	18,021	20,318
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,544,075	1,397,690
OPERATING EXPENSES		
Purchased water	586,585	543,756
Payroll	212,261	209,635
Payroll taxes	17,314	17,518
Directors fees	2,650	2,250
Retirement expense and employee benefits	5,399	3,864
Transmission and distribution	9,144	44,476
Repairs and maintenance	31,541	2,608
Vehicle expense	31,248	39,346
Contractual services	16,645	0
Bad debt expense	0	0
Utilities and telephone	21,896	19,957
Professional fees	18,875	10,780
Insurance	33,481	35,910
Taxes and licenses	943	4,438
Office supplies	61,368	58,507
Water tests	7,547	6,028
Depreciation expense	201,278	182,636
Miscellaneous expense	7,709	2,944
Advertising	153	682
TOTAL OPERATING EXPENSES	1,266,037	1,185,335
EXCESS OF OPERATING REVENUE OVER EXPENSES	278,038	212,355
NON-OPERATING GAINS (LOSSES)		
Interest income	4,927	4,833
Gain (loss) on sale of fixed assets	(1,179)	17,943
PSC taxes	(2,229)	(2,010)
Interest expense	(83,917)	(87,298)
Line relocation revenue	0	0
Line relocation expense	0	0
TOTAL NON-OPERATING GAINS (LOSSES)	(82,398)	(66,532)
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	195,640	145,823
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Capital contributions - Tap on fees	33,840	25,100
Capital contributions - Grants	169,569	129,393
Depreciation on assets acquired by grant	(60,610)	(57,129)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	142,799	97,364
INCREASE (DECREASE) IN NET ASSETS	338,439	243,187
NET ASSETS - BEGINNING OF YEAR	3,815,997	3,572,810
NET ASSETS - END OF YEAR	$ 4,154,436	$ 3,815,997

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

SOUTH LOGAN WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ 195,640	$ 145,823
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	201,278	182,636
(Gain) loss on disposition of assets	1,179	(17,943)
(Increase) decrease in restricted cash	(38,622)	(36,844)
Net (increase) decrease in accounts receivable	(323)	(26,111)
Net (increase) decrease in inventory	(26,629)	12,482
Net (increase) decrease in prepaid expenses	(571)	3,542
Net increase (decrease) in accounts payable	(2,579)	(9,220)
Net increase (decrease) in customer deposits	2,582	3,501
Net increase (decrease) in accrued interest	(1,554)	(1,446)
Net increase (decrease) in accrued liabilities	1,394	431
Net increase (decrease) in unearned revenue	(850)	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	330,945	256,851
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on long-term debt	(91,760)	(88,491)
Proceeds from issuance of debt	0	0
Acquisition of utility plant	(298,499)	(322,970)
Proceeds from sale of assets	0	20,000
Contributions in aid of construction from customers and grants	203,409	154,493
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(186,850)	(236,968)
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	144,095	19,883
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	745,402	725,519
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 889,497	$ 745,402
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 85,471	$ 88,744

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

SOUTH LOGAN WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

The South Logan Water Association, Inc. (the "Association") was chartered on October 6, 1971. It is a distributor of water under the authority of the Public Service Commission of Kentucky. The Association provides water service to customers in a sector of Logan County, Kentucky.

2. Basis of Presentation

The accompanying financial statements of the Association are presented on the accrual basis of accounting. The Association follows the reporting requirements of generally accepted accounting principles (GAAP), which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the Association: water services.

- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Association or the passage of time. Items that affect this net asset category are contributions in aid of construction for which donor-imposed restrictions have not been met in the year of receipt. Depreciation for capital assets acquired via contributions in aid of construction is applied to this component of net assets rather than operating expenses.

	2025		
Detail of net assets	**Without donor restrictions**	**With donor restrictions**	**Total**
Water service:			
Operating	$ 1,637,348	$ 0	$ 1,637,348
Contributions in aid of construction	0	1,727,656	1,727,656
Tap on fees	0	789,432	789,432
Total	$ 1,637,348	$ 2,517,088	$ 4,154,436

SOUTH LOGAN WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. Accounts Receivable and Other Receivables

Customer accounts receivable and other receivables are stated at the amount billed to customers. The Association's operating revenues are recognized on the basis of cycle billings rendered monthly. Accounts receivable are due on the 20^{th} of each month. Accounts unpaid 10 days after the due date are considered delinquent and service is disconnected. An allowance is established for delinquent receivables and they are written off when deemed uncollectible. New service is denied until all outstanding balances have been settled.

5. Inventory

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

6. Utility Plant

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

7. Contributions in Aid of Construction

Beginning January 1, 1997, the Association changed its method of accounting for tap on fees. Prior to 1997, tap on fees were recorded as other revenue. Effective January 1, 1997, tap on fees are recorded as contributions in aid of construction. The cumulative effect on retained earnings at the beginning of 1997 is undeterminable. Effective January 1, 2018, this is presented as a component of net assets with donor restrictions.

Federal and state capital grants and construction contributions are recorded as capital contributions when received.

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

8. Income Taxes

The Association may qualify for an exemption from federal income tax under the Internal Revenue Code as a not-for-profit organization. The Association has not filed for an exempt status with the Internal Revenue Service. See Note D.

9. Concentrations of Credit Risk

At year-end, the carrying amount of the Association's cash and investments was $1,556,115 and the bank balance was $1,556,323. Of the total bank balance, $250,000 was covered by federal depository insurance and the remaining balance of $1,306,323 would require collateralization. As of December 31, 2025, $1,690,909 was pledged with securities held by the pledging banks' trust department but not in the Association's name.

10. Cash and Cash Equivalents

The Association has defined cash and cash equivalents to include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

11. Unearned Revenue

At December 31, 2025, the Association held $0 in unearned revenue for water meters paid in advance prior to installation.

12. Impairment of Long-Lived Assets

The Association reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2025.

NOTE B – RESTRICTED CASH

Restricted cash consists of the following at December 31, 2025:

	2025
System improvement project construction funds	$ 27
Customer deposits	171,260
Debt service-Bonds	48,247
Cash reserves-Bonds	232,956
Short-lived assets	214,128
	$ 666,618

The Association's bond agreements require certain debt and capital reserves. Capital project funds are restricted for the expansion project. Customer deposits are refundable after service has been terminated.

NOTE C – UTILITY PLANT

A summary of utility plant activity at December 31, 2025 is as follows:

	2025
Land and land improvements	$ 49,219
Pumping equipment	59,745
Distribution reservoirs and standpipes	927,578
Transmission and distribution mains	7,513,802
Services	42,701
Meters and installations	865,947
Hydrants	71,684
Communication equipment	19,341
Vehicles	279,788
Building and improvements	231,230
Office equipment	59,289
	10,120,324
Less: Accumulated depreciation	(4,845,189)
Utility Plant, Net	$5,275,135

NOTE D – CONTINGENCY

The Association has been operating as a tax exempt, not-for-profit organization since its inception. However, no formal application has been made with the Internal Revenue Service to receive official tax exempt status. No provision has been made in the accompanying financial statements to reflect any uncertainty of this status, including potential income taxes.

NOTE E – LONG-TERM DEBT

Current year long-term debt activity is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable – FmHA, payable in annual installments of principal and interest of $24,655, interest at 5.00%, maturing May 2033, secured by assignment and pledge of revenue	$ 128,904	$ 0	$ 18,209	$ 110,695	$ 16,700
Note payable – FmHA, payable in annual installments of $33,594, interest at 4.875%, maturing February 2038, secured by assignment and pledge of revenue	332,960	0	17,362	315,598	18,101
Note payable – Rural Development, payable in annual installments of principal and interest, interest at 4.125%, maturing September 2045, secured by substantially all assets and revenues of the Association	566,847	0	17,639	549,208	18,500
Note payable – Rural Development, payable in annual installments of $51,300 principal and interest, interest at 2.75%, maturing September 2053, secured by assignment and pledge of revenue	1,015,972	0	23,398	992,574	24,003
Note payable – Rural Development, payable in annual installments of $26,675 principal and interest, interest at 1.50%, maturing December 2062, secured by substantially all assets and revenues of the Association	768,362	0	15,152	753,210	15,377
	$ 2,813,045	$ 0	$ 91,760	$ 2,721,285	$ 92,681

Annual debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2026	$ 92,681	$ 84,772	$ 177,453
2027	95,788	81,401	177,189
2028	99,503	77,903	177,406
2029	102,828	74,252	177,080
2030	106,771	70,465	177,236
2031-2035	498,061	289,747	787,808
2036-2040	496,014	197,460	693,474
2041-2045	468,237	123,138	591,375
2046-2050	324,855	65,019	389,874
2051-2055	260,550	26,688	287,238
2056-2060	123,833	9,541	133,374
2061-2062	52,164	1,177	53,341
	$ 2,721,285	$ 1,101,563	$ 3,822,848

NOTE F – RISK MANAGEMENT

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

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

NOTE G – WATER AGREEMENT

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

NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONCLUDED)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Accounts payable and accrued expenses – The carrying value amount reported in the statement of financial position approximates its fair value.

Long-term debt – Fair value of the Association's debt is based on current traded value.

NOTE I – RETIREMENT PLAN

The Association began a SIMPLE IRA retirement plan in 2007 that covers all employees who meet the eligibility requirements. The Association's contributions to the plan have been determined by the Board of Commissioners. Contributions to the plan were $3,979 for 2025.

NOTE J – SUBSEQUENT EVENTS

South Logan Water Association, Inc.'s management has evaluated and considered the need to recognize or disclose subsequent events through March 10, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended December 31, 2025, have not been evaluated by management.

NOTE K – CONTRACT BALANCES

The following summarizes gross receivables from contracts and contract liabilities for the year ended December 31, 2025:

	Receivables From Contracts	Contract Liabilities
Beginning balance at January 1, 2025	$ 179,723	$ 850
Ending balance at December 31, 2025	$ 206,651	$ 0

SOUTH LOGAN WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2025

NOTE L – RELATED PARTY TRANSACTIONS

A portion of the Association's insurance is purchased through a local agency, the principal of which is a commissioner. The total payment to the agency or to represented companies was $229 for the year ended December 31, 2025.

NOTE M – ADVERTISING COSTS

The Association uses advertising to post meeting information and customer notices. Advertising costs are expensed as incurred. Total advertising expense was $153 for the year ended December 31, 2025.

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets at year-end consist of cash and cash equivalents of $889,497, net receivables of $123,590, and restricted cash of $666,618.

	2025
Financial assets at year-end	$ 1,679,705
Less those unavailable for general expenditures within one year, due to:	
Contractually-restricted items for specific use only	666,618
Financial assets available to meet cash needs for general expenditures within one year	$ 1,013,087