

**MARBURY WATER SYSTEM**

Financial Statements

September 30, 2025 and 2024

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>3</b>
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets.....	5
Statements of Activities and Members' Equity .....	6
Statements of Functional Expenses .....	8
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members  
Marbury Water System  
Marbury, Alabama

### Opinion

We have audited the accompanying financial statements of Marbury Water System (the "System") (a nonprofit organization), which comprise the balance sheets as of September 30, 2025 and 2024, and the related statements of activities and members' equity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marbury Water System as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Marbury Water System 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marbury Water System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Marbury Water System'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 Marbury Water System'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.



Himmelwright, Huguley and Boles  
Auburn, Alabama  
January 8, 2026

**Marbury Water System**  
Balance Sheets  
Year Ended September 30, 2025 and 2024

	2025	2024
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 564,890	\$ 1,560,050
Accounts receivable (net of allowances of \$13,385 and \$13,385, respectively)	286,717	298,612
Prepaid expenses and other current assets	387,191	333,439
Total current assets	1,238,798	2,192,101
Investments	3,202,729	2,048,791
Property and equipment, net	6,544,861	6,707,872
Restricted investments		
Bond funds	6,545,564	6,287,167
Total assets	\$ 17,531,952	\$ 17,235,931
<b>Liabilities and Members' Equity</b>		
Current liabilities		
Accounts payable	\$ 210,370	\$ 119,549
Accrued bond interest	43,060	43,060
Current portion of bonds payable	420,000	400,000
Total current liabilities	673,430	562,609
Noncurrent Liabilities		
Customer deposits	103,942	97,543
Bonds payable, net	7,463,556	7,849,407
Total noncurrent liabilities	7,567,498	7,946,950
Members' equity		
Patronage capital without third party restrictions	2,745,460	2,439,205
Patronage capital with third party restrictions	6,545,564	6,287,167
Total members' equity	9,291,024	8,726,372
Total members' equity and liabilities	\$ 17,531,952	\$ 17,235,931

See notes to financial statements.

**Marbury Water System**  
Statement of Activities and Members' Equity  
Year Ended September 30, 2025

	<b>Without Third Party Restrictions</b>	<b>With Third Party Restrictions</b>	<b>2025 Total</b>
Operating revenues			
Water sales	\$ 2,368,457	\$ -	\$ 2,368,457
Activation charges	353,325	-	353,325
Grant revenue	595,836	-	595,836
Delinquent service charges	80,247	-	80,247
	<u>3,397,865</u>	<u>-</u>	<u>3,397,865</u>
Operating expenses	<u>2,957,525</u>	<u>-</u>	<u>2,957,525</u>
Excess of operating revenues over operating expenses before other revenue (expense)	440,340	-	440,340
Other revenue (expense)			
Investment income	107,140	-	107,140
Unrealized gain on investments	102,641	258,397	361,038
Interest expense	(347,112)	-	(347,112)
Other income	3,246	-	3,246
	<u>(134,085)</u>	<u>258,397</u>	<u>124,312</u>
Net excess of revenues over expenses	306,255	258,397	564,652
Members' equity - beginning of year, restated	<u>2,439,205</u>	<u>6,287,167</u>	<u>8,726,372</u>
Members' equity - end of year	<u>\$ 2,745,460</u>	<u>\$ 6,545,564</u>	<u>\$ 9,291,024</u>

See notes to financial statements.

**Marbury Water System**  
Statement of Activities and Members' Equity  
Year Ended September 30, 2024

	<b>Without Third Party Restrictions</b>	<b>With Third Party Restrictions</b>	<b>Restated 2024 Total</b>
Operating revenues			
Water sales	\$ 2,311,129	\$ -	\$ 2,311,129
Activation charges	206,150	-	206,150
Delinquent service charges	82,654	-	82,654
	<u>2,599,933</u>	<u>-</u>	<u>2,599,933</u>
Operating expenses	<u>1,962,309</u>	<u>-</u>	<u>1,962,309</u>
Excess of operating revenues over operating expenses before other revenue (expense)	637,624	-	637,624
Other revenue (expense)			
Investment income	147,484	-	147,484
Unrealized loss on investments	51,602	238,795	290,397
Interest expense	(362,247)	-	(362,247)
Other income	10,583	-	10,583
	<u>(152,578)</u>	<u>238,795</u>	<u>86,217</u>
Net excess of revenues over expenses	485,046	238,795	723,841
Members' equity - beginning of year	<u>1,954,159</u>	<u>6,048,372</u>	<u>8,002,531</u>
Members' equity - end of year, restated	<u>\$ 2,439,205</u>	<u>\$ 6,287,167</u>	<u>\$ 8,726,372</u>
Members' equity - beginning of year	\$ 1,954,159	\$ 6,048,372	\$ 8,002,531
Change in members' equity as previously reported	533,844	238,795	772,639
Prior period adjustment	(48,798)	-	(48,798)
Members' equity - end of year, restated	<u>\$ 2,439,205</u>	<u>\$ 6,287,167</u>	<u>\$ 8,726,372</u>

See notes to financial statements.

**Marbury Water System**  
Statement of Functional Expenses  
Year Ended September 30, 2025

	<b>Water Services</b>	<b>Management &amp; General</b>	<b>2025 Total</b>
Salaries	\$ 371,560	\$ 159,240	\$ 530,800
Water purchases	540,409	-	540,409
Water exploration	595,836	-	595,836
Depreciation	265,424	29,492	294,916
Insurance	183,058	78,453	261,511
Utilities	95,495	23,874	119,369
Equipment expense	125,630	-	125,630
Repairs and maintenance	211,274	-	211,274
Office supplies	-	73,646	73,646
Vehicle expense	33,788	-	33,788
Payroll taxes	30,319	12,994	43,313
Water system supplies	19,868	6,623	26,491
Legal and professional	-	19,500	19,500
Dues and subscriptions	-	34,316	34,316
Telephone	9,463	9,462	18,925
Pension expense	10,644	4,561	15,205
Advertising	-	672	672
Other operating expenses	3,244	8,680	11,924
<b>Total expenses</b>	<b>\$ 2,496,012</b>	<b>\$ 461,513</b>	<b>\$ 2,957,525</b>

See notes to financial statements.

**Marbury Water System**  
Statement of Functional Expenses  
Year Ended September 30, 2024

	<u>Water Services</u>	<u>Management &amp; General</u>	<u>2024 Total</u>
Salaries	\$ 338,610	\$ 145,119	\$ 483,729
Depreciation	267,605	29,734	297,339
Insurance	161,981	69,420	231,401
Water purchases	355,374	-	355,374
Repairs and maintenance	134,927	-	134,927
Utilities	86,001	21,500	107,501
Equipment expense	102,978	-	102,978
Office supplies	-	57,840	57,840
Vehicle expense	42,585	-	42,585
Water system supplies	19,836	6,612	26,448
Payroll taxes	26,691	11,439	38,130
Dues and subscriptions	-	20,771	20,771
Legal and professional	-	26,125	26,125
Other operating expenses	1,840	7,363	9,203
Pension expense	8,625	3,697	12,322
Telephone	7,818	7,818	15,636
	<u>\$ 1,554,871</u>	<u>\$ 407,438</u>	<u>\$ 1,962,309</u>
Total expenses	<u>\$ 1,554,871</u>	<u>\$ 407,438</u>	<u>\$ 1,962,309</u>

See notes to financial statements.

**Marbury Water System**  
**Statements of Cash Flows**  
**Years Ended September 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Operating Activities</b>		
Net excess of revenues over expenses	\$ 564,652	\$ 723,841
Adjustments to reconcile net excess of revenues over expenses to cash provided by operating activities		
Provision for bad debt	5,436	5,523
Unrealized gain from investments	(361,038)	(290,397)
Depreciation expense	294,916	297,339
Amortization expense for debt issuance costs	34,149	36,070
Gain on disposal of asset	-	(10,583)
Loss on impairment of asset	-	-
Changes in operating assets and liabilities		
Accounts receivable	6,459	(22,682)
Prepaid expenses and other current assets	(53,752)	(53,531)
Accounts payable	90,821	72,168
Customer deposits	6,399	9,719
Net cash provided by operating activities	588,042	767,467
<b>Investing Activities</b>		
Purchases of property and equipment	(131,905)	(152,462)
Purchases of investments	(1,051,297)	(29,369)
Net cash used in investing activities	(1,183,202)	(181,831)
<b>Financing Activities</b>		
Payments of bond principal	(400,000)	(385,000)
Net cash used in financing activities	(400,000)	(385,000)
Net (decrease) increase in cash	(995,160)	200,636
Cash at beginning of year	1,560,050	1,359,414
Cash at end of year	\$ 564,890	\$ 1,560,050
<b>Supplementary Cash Flow Information</b>		
Cash paid during the period for interest	\$ 347,112	\$ 362,247

See notes to financial statements.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities***

Marbury Water System, Inc. (the System) is a not-for-profit, tax-exempt cooperative originally organized on March 25, 1969, and exists as a 501(c)12 organization. Under its certificate of incorporation, the System exists to provide water service to the unincorporated community of Marbury, Alabama, and the surrounding area. Presently, the System serves approximately 3,000 customers.

***Basis of Accounting***

The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America. Therefore, the financial statements reflect all significant receivables, payables, and other liabilities. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized when incurred.

***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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Basis of Financial Statement Presentation***

The System reports information regarding its financial position and activities according to two classes of members' equity: members' equity without third party restrictions and patronage capital with third party restrictions.

*Patronage capital without third party restrictions* represent equity available at the direction of the Board of Directors and members for use in the System's operations and those resources invested in property and equipment. These are resources not subject to third party-imposed stipulations and that have no time restrictions. Interest income earned from restricted investments whose restrictions are met in the current reporting period are recorded as without donor restrictions.

*Patronage capital with third party restrictions* represent equity subject to third party-imposed stipulations that will be met by the System on actions or by passage of time. When a stipulated time restriction ends, or purpose restriction is accomplished, such third-party restricted members' equity is reclassified to patronage capital without third party restrictions and reported in the Statements of Activities as members' equity released from restrictions.

***Revenue Recognition***

Water Sales include billings to customers based on water usage, typically on a monthly basis. The System will recognize revenue when the performance obligation is satisfied, which is when the control of water is transferred.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Revenue Recognition - Continued***

Activation Charges are generally one-time charges for customers and are generally recognized for new developments. The performance obligation is satisfied when services are connected and started by the System for the customer.

Revenue from governmental grants is recognized to the extent that qualifying expenses are incurred, up to the grant or contract ceiling. Grant proceeds are recognized as revenue when the System has incurred expenses in compliance with specific grant provisions. Grant proceeds received prior to incurring qualifying expenses are reported as deferred revenue on the Balance Sheet.

***Cash and Cash Equivalents***

The System considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balance reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The System has never experienced any losses related to these balances.

***Accounts Receivable, Unbilled Revenue, and Allowance for Doubtful Accounts***

The System reports accounts receivable at net realizable value. At September 30, 2025, 2024, and 2023, the accounts receivable net realizable value totaled \$286,717, \$298,612, and \$281,453, respectively. At September 30, 2025, 2024, and 2023, gross accounts receivable totaled \$201,327, \$213,227, and \$196,068, respectively.

Unbilled revenues are accounted for when water services have been provided and earned but have not been billed to the customer yet. At September 30, 2025, 2024, and 2023, the unbilled revenues totaled \$98,775, \$98,770, and \$98,770, respectively.

Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance or against earnings. The allowance for doubtful accounts for the System totaled \$13,385 for each of the years ended September 30, 2025, and 2024, and 2023.

***Investments***

Investments are carried at fair value. The estimated fair value of investments is based on quoted market prices. Net appreciation (depreciation) in the fair value of investments, which includes realized gains and losses and unrealized gains and losses on those investments, is reported in the Statements of Activities and Members' Equity. Investment income is presented net of investment advisory and custodial fees. Cost basis is determined on the date of purchase. Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Fair Value***

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the System would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the System has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

***Restricted Investments***

Restricted assets are those assets designated by bond ordinances for capital improvement projects and debt service requirements.

***Vacation Accrual***

The System's policy is that any paid time off for an employee can be paid upon the employee giving the proper two weeks' notice or retiring. It can also be paid out in check form at the end of the year by request to management. The vacation accrual for the period ended September 30, 2025, and 2024 totaled \$50,494 and \$50,494 respectively.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Property and Equipment***

Property and equipment are carried at cost less accumulated depreciation and include expenditures which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renovations are charged to income as incurred. The System capitalizes assets expected to benefit the System for greater than one year. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income. The System provides for depreciation of property and equipment using the straight-line method designed to amortize costs over estimated useful lives as follows:

	<u>Years</u>
Vehicles	4-5
Buildings and improvements	10-39
Furniture, fixtures and office equipment	5-7
Machinery and equipment	5-7

Depreciation expense totaled \$294,916 and \$297,339 for the years ended September 30, 2025, and 2024, respectively.

***Bond Issuance Costs***

Bond issuance costs related to the outstanding bonds have been deferred and are being amortized over the lives of the related bonds using the effective interest method. Bond issue costs totaling \$474,218 and \$132,337, \$167,546 resulting from the issuance of the 2007 Bonds, 2015 Bonds, and the 2021 Bonds respectively, were incurred by the System. As of September 30, 2025, accumulated amortization from the 2007 Bonds, 2015 Bonds, and the 2021 Bonds totaled \$420,711 and \$82,320, and \$34,626 respectively. These costs have been netted against bonds payable in the accompanying Balance Sheets. Amortization expense is recorded as Interest expense on the Statement of Activities and Members' Equity which totaled \$34,149 and \$36,070 for the years ended September 30, 2025, and 2024, respectively.

***Income Taxes***

The System is exempt from federal income taxes under Section 501(c)12 of the Internal Revenue Code and therefore, no provision for income taxes has been made. However, the System is required to annually file Form 990 (an informational return) with the Internal Revenue Service. Tax positions are initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. The System had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of September 30, 2025, and 2024, based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter for all open tax years.

***Reclassifications***

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassifications had no effect on total members' equity or the change in members' equity as of and for the year ended September 30, 2025 and 2024, as previously reported.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Well Exploration Costs***

Costs incurred during the preliminary assessment phase of well exploration are expensed as incurred until technical feasibility and commercial viability of a water source have been established. Upon technical feasibility, all subsequent costs directly related to the drilling, development, and preparation of wells for use are capitalized as part of property, plant, and equipment. The System started a well exploration project (the “Project”) during the year ending September 30, 2025. The System did not reach feasibility nor commercial viability for the year ending September 30, 2025 with the Project; therefore, all associated costs have been expensed. Well exploration expense for the year ended September 30, 2025 totaled \$595,836, and are found in the Statement of Functional Expenses.

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

The following table reflects the System’s financial assets at September 30, 2025, reduced by amounts not available for general use because of contractual or third party-imposed restrictions within one year. At September 30, 2025, the financial assets available for general expenditures, that is, without third party or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

	<b>2025</b>	<b>2024</b>
Financial assets	\$ 10,599,900	\$ 10,243,418
Less: those unavailable for general expenditures within one year due to		
Assets with third party restrictions (Note 6)	(6,545,564)	(6,287,167)
Financial assets available to meet cash needs from general expenditures within one year	\$ 4,054,336	\$ 3,956,251

**NOTE 3 - INVESTMENTS**

As of September 30, 2025, the System’s investments are recorded at fair value based on quoted market prices. All of the System’s unrestricted investments have been invested in cash and cash equivalents, certificates of deposit, and mutual funds. The mutual funds are valued based on quoted market prices. The System intends to hold the remaining investments until their maturity dates, which occur during 2025 through 2045. Cash and cash equivalents and certificates of deposit are fully insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 per account ownership category or are backed by the federal government.

Restricted investments shown for the years ended September 30, 2025, and 2024 are those required by the System’s bond agreement to be held for debt service payments and are not registered in the System’s name or insured, but they are held by the Trustee in the System’s name.

The System has only Level 1 Inputs as of September 30, 2025.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 3 - INVESTMENTS - Continued**

As of September 30, 2025, the cost and estimated market values of the investments and restricted investments consisted of the following:

**September 30, 2025**

	<b>Cost</b>	<b>Market Value</b>
<i>Unrestricted investments</i>		
Cash and cash equivalents	\$ 235,283	\$ 235,283
Fixed income	300,888	309,977
Mutual Funds	2,537,470	2,657,469
	\$ 3,073,641	\$ 3,202,729
 <i>Restricted investments</i>		
U.S. Treasury securities	\$ 6,545,564	\$ 6,545,564

As of September 30, 2024, the cost and estimated market values of the investments and restricted investments consisted of the following:

**September 30, 2024**

	<b>Cost</b>	<b>Market Value</b>
<i>Unrestricted investments</i>		
Cash and cash equivalents	\$ 953,723	\$ 953,723
Fixed income	784,384	817,025
Mutual Funds	326,841	278,043
	\$ 2,064,948	\$ 2,048,791
 <i>Restricted investments</i>		
U.S. Treasury securities	\$ 6,287,167	\$ 6,287,167

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and Equipment consisted of the following at September 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 565,876	\$ 565,876
Vehicles	212,589	127,739
Buildings and improvements	193,618	193,618
Furniture, fixtures and office equipment	68,618	67,145
Machinery and equipment	540,456	533,009
Water system	13,036,527	13,021,341
Construction in progress	308,451	285,502
	<u>14,926,135</u>	<u>14,794,230</u>
Less: accumulated depreciation	<u>(8,381,274)</u>	<u>(8,086,358)</u>
	<u>\$ 6,544,861</u>	<u>\$ 6,707,872</u>

**NOTE 5 - BONDS PAYABLE**

On September 30, 2015, the System issued the Water Revenue Taxable Bond, Series 2015 in the amount of \$5,105,000. Bond proceeds were used to refund the outstanding portion of the Bond, Series 2007, create a debt service reserve fund and pay issuance costs. The Series 2015 bonds bear interest at a fixed rate of 4.25% beginning on February 15, 2016, and on each February 15 and August 15 thereafter through the bond maturity date of August 15, 2031. The principal amount of the 2015 Bonds retired during the years ended September 30, 2025, and 2024 totaled \$400,000 and \$385,000, respectively.

The System issued \$5,345,000 in 2021 Series bonds in December of 2021. The bonds were issued for the purposes of acquiring, constructing and equipping certain capital improvements to the water system and funding in part a reserve fund. Principal will be paid beginning in 2032 and ending in 2040. From 2022 through 2031 interest only payments are required. The bonds bear interest at a fixed rate of 3.32%, first payable on February 15, 2022, and on each February 15 and August 15 thereafter until maturity.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 5 - BONDS PAYABLE - Continued**

The principal of the 2015 and 2021 bonds shall mature and become payable in the following installments in each of the following years ended September 30:

Year of Maturity	Series 2015 Bonds		Series 2021 Bonds		Total	Total	Total Debt
	Principal	Interest	Principal	Interest	Principal	Interest	Service
2026	\$ 420,000	\$ 117,938	\$ -	\$ 177,454	\$ 420,000	\$ 295,392	\$ 715,392
2027	435,000	100,088	-	177,454	435,000	277,542	712,542
2028	460,000	81,600	-	177,454	460,000	259,054	719,054
2029	475,000	62,050	-	177,454	475,000	239,504	714,504
2030	490,000	41,863	-	177,454	490,000	219,317	709,317
2031	495,000	21,038	-	177,454	495,000	198,492	693,492
2032	-	-	520,000	177,454	520,000	177,454	697,454
2033	-	-	535,000	160,190	535,000	160,190	695,190
2034	-	-	555,000	142,428	555,000	142,428	697,428
2035	-	-	575,000	124,002	575,000	124,002	699,002
2036	-	-	590,000	104,912	590,000	104,912	694,912
2037	-	-	610,000	85,324	610,000	85,324	695,324
2038	-	-	630,000	65,072	630,000	65,072	695,072
2039	-	-	655,000	44,156	655,000	44,156	699,156
2040	-	-	675,000	22,410	675,000	22,410	697,410
	<u>\$ 2,775,000</u>	<u>\$ 424,577</u>	<u>\$ 5,345,000</u>	<u>\$ 1,990,672</u>	<u>\$ 8,120,000</u>	<u>\$ 2,415,249</u>	<u>\$ 10,535,249</u>
					Less: current portion	(420,000)	
					Less: unamortized bond costs	(236,444)	
						<u>\$ 7,463,556</u>	

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 5 - BONDS PAYABLE - Continued**

The 2015 Bond trust indenture requires debt coverage of 1.10 annual net income. As of the year ended September 30, 2025, the System was in compliance with all debt service covenants. The debt coverage calculation is as follows:

Net excess of revenues over expenses	\$ 564,652
Plus:	
Depreciation	294,916
Interest expense and amortization	<u>347,112</u>
Net excess of revenues over expenses before depreciation, amortization and interest expense	<u>\$ 1,206,680</u>
Maximum annual debt service requirement	<u>\$ 719,054</u>
Debt service coverage	<u>168%</u>
Debt service required	<u>110%</u>

**NOTE 6 - MEMBER'S EQUITY WITH THIRD PARTY RESTRICTIONS**

Member's equity with third party restrictions were restricted by bond ordinances for capital improvements projects and debt service requirements at September 30, 2025:

**Equity with Donor Restrictions**

	<b>2025</b>	<b>2024</b>
2015 Regions Reserve	\$ 719,054	\$ 722,143
Regions 2015 Series Bond Fund	123,594	90,245
Regions 2021 Series Construction Fund	<u>5,702,916</u>	<u>5,474,779</u>
Equity with donor restrictions	<u>\$ 6,545,564</u>	<u>\$ 6,287,167</u>

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 7 - FUNCTIONAL EXPENSES**

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, salaries, insurance, utilities, payroll taxes, telephone, and other operating expenses. Management determined based on the nature of the System's operations and organizational structure, that the principle drivers of expenses are number of employees and type of employee (Office or Field) consuming the expenditures, as they relate to the two functional expense categories, determined by management. All of the aforementioned expense categories, except depreciation, were reviewed by management to determine the number of Office employees related to each expense and the number of Field employees related to each expense and allocated accordingly. Depreciation was allocated based on the manner in which the depreciated assets are used.

**NOTE 8 - RETIREMENT PLAN**

The System provides a retirement plan for its employees. All employees meeting the age requirements and two-year service requirement are eligible to participate. The System is required to match each participant's contribution up to 3% of each participant's gross salary. For the years ended September 30, 2025, and 2024, the System contributed a total of \$15,205 and \$12,322 to the plan, respectively. The plan is classified as a simple IRA plan.

**NOTE 9 - WATER PURCHASE LEASE**

During a prior fiscal year, the System entered into a water purchase contract with Five Star Water Supply District in Prattville, Alabama ("Five Star") in which Five Star agreed to allow the System to purchase up to 1,000,000 gallons of water per day for a period of 10 years ending in 2029. The lease is for a rate of \$1.70 per 1,000 gallons of water, not to exceed 1,000,000 gallons per day. Payment by the System is due on the last day of each month. As of September 30, 2025, and 2024, total water purchases during the year by the System totaled \$540,409 and \$355,374, respectively. A portion of this water was purchased from Five Star and a portion of this water was purchased from the Chilton Water Authority.

**NOTE 10 - CONCENTRATIONS OF CREDIT RISK**

The System maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, the System's cash balances exceeded the Federal Deposit Insurance Corporation's coverage.

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2025, it was discovered that Investments were overstated as of September 30, 2024. The System restated Investments as of September 30, 2024, and Unrealized Gain on Investments for the year ended September 30, 2024, to account for the overstatement, decreasing Investments by \$48,798. The prior period adjustment totaled \$48,798 and is shown as an adjustment on the Statement of Activities for the year ended September 30, 2024.

**Marbury Water System**  
Notes to Financial Statements  
September 30, 2025 and 2024  
(Continued)

**NOTE 12 - SUBSEQUENT EVENTS**

The System has evaluated events subsequent to the date of the statement of financial position through January 8, 2026. No events occurred subsequent to the statement of financial position date through January 8, 2026, that would require additional adjustments to the financial statements or additional disclosures.