

MARBURY WATER SYSTEM

Financial Statements

September 30, 2024 and 2023

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Himmelwright
Huguley
Boles

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, 2024 and 2023, 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, 2024 and 2023, 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 17, 2025

Marbury Water System
Balance Sheet
Year Ended September 30, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,560,050	\$ 1,359,414
Accounts receivable (net of allowances of \$13,385 and \$13,385, respectively)	298,612	281,453
Prepaid expenses and other current assets	333,439	279,908
	2,192,101	1,920,775
Investments	2,097,589	1,967,820
Property and equipment, net	6,825,624	6,842,166
Restricted investments		
Bond funds	6,287,167	6,048,372
	\$ 17,402,481	\$ 16,779,133
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	\$ 237,300	\$ 47,380
Accrued bond interest	43,060	43,060
Current portion of bonds payable	400,000	385,000
Total current liabilities	680,360	475,440
Noncurrent Liabilities		
Customer deposits	97,544	87,825
Bonds payable, net	7,849,407	8,213,337
	7,946,951	8,301,162
Members' equity		
Patronage capital without third party restrictions	2,488,003	1,954,159
Patronage capital with third party restrictions	6,287,167	6,048,372
Total members' equity	8,775,170	8,002,531
	\$ 17,402,481	\$ 16,779,133

See notes to financial statements.

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

	Without Third Party Restrictions	With Third Party Restrictions	2024 Total
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 gain on investments	100,400	238,795	339,195
Interest expense	(362,247)	-	(362,247)
Other income	10,583	-	10,583
	<u>(103,780)</u>	<u>238,795</u>	<u>135,015</u>
Net excess of revenues over expenses	533,844	238,795	772,639
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	<u>\$ 2,488,003</u>	<u>\$ 6,287,167</u>	<u>\$ 8,775,170</u>

See notes to financial statements.

Marbury Water System
Statement of Activities and Members' Equity
Year Ended September 30, 2023

	Without Third Party Restrictions	With Third Party Restrictions	2023 Total
Operating revenues			
Water sales	\$ 2,112,616	\$ -	\$ 2,112,616
Activation charges	122,650	-	122,650
Delinquent service charges	74,586	-	74,586
	<u>2,309,852</u>	<u>-</u>	<u>2,309,852</u>
Operating expenses	<u>1,771,571</u>	<u>-</u>	<u>1,771,571</u>
Excess of operating revenues over operating expenses before other revenue (expense)	538,281	-	538,281
Other revenue (expense)			
Investment income	32,826	-	32,826
Unrealized loss on investments	83,286	223,144	306,430
Interest expense	(371,451)	-	(371,451)
Other income	107,821	-	107,821
	<u>(147,518)</u>	<u>223,144</u>	<u>75,626</u>
Net excess of revenues over expenses	390,763	223,144	613,907
Members' equity - beginning of year	<u>1,563,396</u>	<u>5,825,228</u>	<u>7,388,624</u>
Members' equity - end of year	<u>\$ 1,954,159</u>	<u>\$ 6,048,372</u>	<u>\$ 8,002,531</u>

See notes to financial statements.

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

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

See notes to financial statements.

Marbury Water System
Statement of Functional Expenses
Year Ended September 30, 2023

	Water Services	Management & General	2023 Total
Salaries	\$ 266,699	\$ 114,300	\$ 380,999
Depreciation	339,546	37,727	377,273
Insurance	160,332	68,714	229,046
Water purchases	220,312	-	220,312
Repairs and maintenance	122,811	-	122,811
Utilities	89,615	22,404	112,019
Equipment expense	101,193	-	101,193
Office supplies	-	44,392	44,392
Vehicle expense	39,964	-	39,964
Water system supplies	26,752	8,917	35,669
Payroll taxes	20,981	8,992	29,973
Dues and subscriptions	-	27,012	27,012
Legal and professional	-	18,070	18,070
Other operating expenses	2,103	10,605	12,707
Pension expense	7,659	3,282	10,941
Telephone	4,595	4,595	9,190
Total expenses	\$ 1,402,561	\$ 369,010	\$ 1,771,571

See notes to financial statements.

Marbury Water System
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Operating Activities		
Net excess of revenues over expenses	\$ 772,639	\$ 613,907
Adjustments to reconcile net excess of revenues over expenses to cash provided by operating activities		
Provision for bad debt	5,523	8,502
Unrealized gain from investments	(339,195)	(306,430)
Depreciation expense	297,339	377,273
Amortization expense for debt issuance costs	36,070	37,856
Gain on disposal of asset	(10,583)	-
Loss on impairment of asset	-	7,007
Changes in operating assets and liabilities		
Accounts receivable	(22,682)	(47,402)
Prepaid expenses and other current assets	(53,531)	(4,998)
Accounts payable	72,168	41,635
Customer deposits	9,719	6,120
Net cash provided by operating activities	767,467	733,470
Investing Activities		
Purchases of property and equipment	(152,462)	(104,469)
Purchases of investments	(29,369)	(12,816)
Net cash used in investing activities	(181,831)	(117,285)
Financing Activities		
Payments of bond principal	(385,000)	(370,000)
Net cash used in investing activities	(385,000)	(370,000)
Net increase in cash	200,636	246,185
Cash at beginning of year	1,359,414	1,113,229
Cash at end of year	\$ 1,560,050	\$ 1,359,414
Noncash Activities		
Construction-in-progress in accounts payable	\$ 117,752	\$ -
Supplementary Cash Flow Information		
Cash paid during the period for interest	\$ 362,247	\$ 371,185

See notes to financial statements.

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023

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, 2024 and 2023
(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.

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, 2024, 2023, and 2022, the accounts receivable net realizable value totaled \$298,612, \$281,453, and \$242,553, respectively. At September 30, 2024, 2023, and 2022, gross accounts receivable totaled \$213,227, \$196,068, and \$170,611, 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, 2024, 2023, and 2022, the unbilled revenues totaled \$98,770, \$98,770, and \$85,327, 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, 2024, and 2023, and 2022.

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, 2024 and 2023
(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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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, 2024, and 2023 totaled \$50,494 and \$31,219 respectively.

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023
(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 \$297,339 and \$377,273 for the years ended September 30, 2024, and 2023, 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, 2024, accumulated amortization from the 2007 Bonds, 2015 Bonds, and the 2021 Bonds totaled \$403,834 and \$73,984, and \$25,690 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 \$36,070 and \$37,856 for the years ended September 30, 2024, and 2023, respectively.

Capital Contributions

Capital contributions represent cash payments or facilities contributed by municipalities, developers and individuals for the improvement or expansion of the system or acquisition of capital assets. Contributed capital is recorded at fair market value as of the date the asset is contributed. Capital contributions made during the period ended September 30, 2024, and 2023 totaled \$0 and \$0 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.

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - Continued

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, 2024, and 2023, 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.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The following table reflects the System's financial assets at September 30, 2024, reduced by amounts not available for general use because of contractual or third party-imposed restrictions within one year. At September 30, 2024, 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:

Liquidity and Availability Note:

	2024	2023
Financial assets	\$ 10,243,418	\$ 9,052,730
Less: those unavailable for general expenditures within one year due to		
Assets with third party restrictions (Note 6)	(6,287,167)	(6,048,372)
Financial assets available to meet cash needs from general expenditures within one year	\$ 3,956,251	\$ 3,004,358

NOTE 3 - INVESTMENTS

As of September 30, 2024, 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, 2024, and 2023 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, 2024.

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023
(Continued)

NOTE 3 - INVESTMENTS - Continued

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

September 30, 2024

	Cost	Market Value
<i>Unrestricted investments</i>		
Cash and cash equivalents	\$ 953,723	\$ 953,723
Fixed income	784,384	817,025
Mutual funds	326,841	326,841
	\$ 2,064,948	\$ 2,097,589
 <i>Restricted investments</i>		
U.S. Treasury securities	\$ 6,287,167	\$ 6,287,167

As of September 30, 2023, the cost and estimated market values of the investments and restricted investments consisted of the following:

September 30, 2023

	Cost	Market Value
<i>Unrestricted investments</i>		
Cash and cash equivalents	\$ 348,205	\$ 348,618
Fixed income	1,005,902	1,045,824
Mutual Funds	622,774	573,378
	\$ 1,976,881	\$ 1,967,820
 <i>Restricted investments</i>		
U.S. Treasury securities	\$ 6,048,372	\$ 6,048,372

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023
(Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at September 30:

	2024	2023
Land	\$ 565,876	\$ 565,876
Vehicles	127,739	150,087
Buildings and improvements	193,618	193,618
Furniture, fixtures and office equipment	67,145	66,704
Machinery and equipment	533,009	528,644
Water system	13,021,341	13,006,280
Construction in progress	403,254	142,330
	14,911,982	14,653,539
Less: accumulated depreciation	(8,086,358)	(7,811,373)
	\$ 6,825,624	\$ 6,842,166

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, 2024, and 2023 totaled \$385,000 and \$370,000, 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, 2024 and 2023
(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
2025	\$ 400,000	\$ 134,938	\$ -	\$ 177,454	\$ 400,000	\$ 312,392	\$ 712,392
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>\$ 3,175,000</u>	<u>\$ 559,515</u>	<u>\$ 5,345,000</u>	<u>\$ 2,168,126</u>	<u>\$ 8,520,000</u>	<u>\$ 2,727,641</u>	<u>\$ 11,247,641</u>
					(400,000)		
					(270,593)		
					<u>\$ 7,849,407</u>		

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023
(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, 2024, the System was in compliance with all debt service covenants. The debt coverage calculation is as follows:

Net excess of revenues over expenses	\$ 772,639
Plus:	
Depreciation	297,339
Interest expense and amortization	<u>362,247</u>
Net excess of revenues over expenses before depreciation, amortization and interest expense	<u>\$ 1,432,225</u>
Maximum annual debt service requirement	<u>\$ 719,054</u>
Debt service coverage	<u>199%</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, 2024:

Equity with Donor Restrictions

	<u>2024</u>		<u>2023</u>
2015 Regions Reserve	\$ 722,143		\$ 722,096
Regions 2015 Series Bond Fund	90,245		116,082
Regions 2021 Series Construction Fund	5,474,779		5,210,194
Equity with donor restrictions	<u>\$ 6,287,167</u>		<u>\$ 6,048,372</u>

Marbury Water System
Notes to Financial Statements
September 30, 2024 and 2023
(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, 2024, and 2023, the System contributed a total of \$12,322 and \$10,941 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, 2024, and 2023, total water purchases during the year by the System totaled \$355,374 and \$220,312, 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 - SUBSEQUENT EVENTS

The System has evaluated events subsequent to the date of the statement of financial position through January 17, 2025. The System received federal funds from an ADEM grant in October 2024 totaling \$2,050,000. The nature of this grant is to help the System update their Property, Plant, and Equipment to meet EPA's requirement of the polyfluoroalkyl substances. No other events occurred subsequent to the statement of financial position date through January 17, 2025, that would require additional adjustments to the financial statements or additional disclosures.