

# Rubin & Hays

ATTORNEYS AT LAW

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CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

RECEIVED

APR 28 2015

PUBLIC SERVICE  
COMMISSION

April 27, 2015

Mr. Jeff Derouen, Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Butler County Water System, Inc. PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Butler County Water System, Inc. for an Order authorizing the Association to issue securities pursuant to KRS 278.300.

**Please be advised that the Association is requesting the Commission to expedite this Application and issue the approving Order on or before May 15, 2015 due to the fact that an upward shift in the current interest rate market could negate any interest cost savings to the Association.**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By

  
W. Randall Jones

WRJ:jlm  
Enclosures

cc: Mr. Jeff Peeples, BCWS  
Ms. Kristen Millard, Raymond James

RECEIVED

APR 28 2015

PUBLIC SERVICE  
COMMISSION

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

IN THE MATTER OF:

**THE APPLICATION OF THE BUTLER )**  
**COUNTY WATER SYSTEM, INC., TO )**  
**ISSUE SECURITIES IN THE APPROX- )**  
**MATE PRINCIPAL AMOUNT OF \$1,275,000 )**  
**FOR THE PURPOSE OF REFUNDING CERTAIN )**  
**OUTSTANDING INDEBTEDNESS OF THE ) Case No. 2015 - \_\_\_\_\_**  
**ASSOCIATION PURSUANT TO THE PROVISIONS )**  
**OF KRS 278.300 AND 807 KAR 5:001 )**

\*\*    \*\*\*    \*\*\*\*    \*\*\*\*\*    \*\*\*\*    \*\*\*    \*\*

**APPLICATION**

The Applicant, Butler County Water System, Inc. (the "Association"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the Association to issue certain securities in the approximate principal sum \$1,275,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

1. The Association is a non-profit water association of Butler County, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. The Association's Articles of Incorporation are on file with the Commission in **Case No. 2003-00486**. The Association was incorporated in the Commonwealth of Kentucky on February 18, 1971 and is currently in good

standing with the Kentucky Secretary of State. The Association is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the Association are incorporated in this Application by reference.

2. The governing body of the Association is its Board of Directors, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS Chapter 273 and all applicable law and regulations.

3. The mailing address of the Association is as follows:

Butler County Water System, Inc.  
c/o Mr. John Dix, P.E., General Manager  
P.O. Box 10180  
Bowling Green, Kentucky 42102  
Telephone: (270) 842-0052  
Fax: (270) 842-8360  
Email: [johnd@butlerwater.com](mailto:johnd@butlerwater.com)

4. A general description of the Association's water system property, together with a statement of the original cost, is contained in the Association's Annual Report for 2014 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement in the estimated principal amount of \$1,275,000 (subject to adjustment of up to 10%) (the "KRWFC Loan"), for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Butler County Water System, Inc. Promissory Note, dated August 8, 1996, in the original principal amount of \$950,000, bearing interest at the rate of 4.50% per annum (the "1996 Note"), currently held by the U.S. Department of Agriculture, acting through Rural Development ("RD"); (ii) Butler County Water System, Inc. Promissory Note, dated July 7, 1998, in the original principal amount of \$545,000,

bearing interest at the rate of 4.75% per annum (the "1997A Note"), currently held by RD; and (iii) Butler County Water System, Inc. Promissory Note, dated December 18, 1997, in the original principal amount of \$197,213, bearing interest at the rate of 4.50% per annum (the "1997B Note"), currently held by RD (hereinafter, the 1996 Note, the 1997A Note, and the 1997B Note shall be collectively referred to as the "Prior Loans").

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rate are subject to change because of market conditions. The final terms and details of the KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC Loan will provide the Association with the funds necessary to (i) refund the Prior Loans; and (iii) pay the costs, fees and expenses incident to the issuance of the KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will generate a net present value cashflow savings of approximately \$100,697.40. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan may be adjusted, based upon the final interest rate as of closing of the proposed KRWFC Loan. Final financial figures will be submitted to the Commission in a timely manner. The Association will not issue the securities if

interest rates in the financial markets shift to a point where the Association will not achieve any savings.

11. The Total Refunded Debt Schedule of the outstanding Prior Loans being refunded is set forth in **Exhibit D**.

12. The Association represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the Association by producing substantial debt service savings. This is a lawful object within the corporate purposes of the Association's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the Association of its service to the public and will not impair its ability to perform that service.

13. The Association represents that it will, as soon as reasonably possible after the closing of the KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the KRWFC Loan, the price paid, the costs and expenses incurred in the issuance of the KRWFC Loan, and the final terms and interest rates of the KRWFC Loan.

14. The detailed Statement of Operations, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2014 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the Association hereby responds as follows:

- (i) Section 12(1)(b): The Association states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes to the Association's financial condition have occurred since the end

of the twelve (12) month period contained in the Association's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The Association does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The Association's mortgages have previously been filed in **Case No. 2012-00474** and are incorporated herein by reference.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the Association is contained in the 2014 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The Association has no outstanding stock and therefore pays no dividends.
- (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.

16. Pursuant to 807 KAR 5:001, Section 18, the Association hereby responds as follows:

- (i) Section 18(1)(a): The Association has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the Association's property, its field of operation and a statement of original cost of said property and the cost to the Association is contained in the Association's 2014 Annual Report on file with this Commission.
- (iii) Section 18(1)(c): The Association is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is

contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the Association's water system.

- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Loans.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the refunding of the Prior Loans are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer.
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): The Association does not have any outstanding trust deeds. Copies of the Association's outstanding mortgages have previously been filed in Case No. 2012-00474 and are incorporated herein by reference.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.

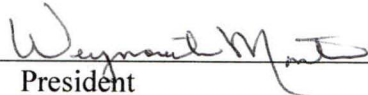
18. No rate adjustment will be necessary.

**WHEREFORE**, the Association respectfully requests that the Commission take the following actions:


1. Authorize the issuance of the securities requested in the Application;
2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the Association by taking full advantage of current low interest rates, the Association requests that the Commission issued its Order on or before **May 15, 2015**; and
3. Process this Application without a formal hearing in order to save time and expense.

The Association will promptly respond to any information requests by the Commission's staff.

Butler County Water System, Inc.

By   
President  
P.O. Box 10180  
Bowling Green, Kentucky 42102  
Phone: (270) 842-0052  
Fax: (270) 842-8360  
[johnd@butlerwater.com](mailto:johnd@butlerwater.com)

Rubin & Hays

By   
W. Randall Jones  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
Phone: (502) 569-7525  
Fax: (502) 569-7555  
[wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)  
Counsel for Butler County System, Inc.



STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF BUTLER            )

The affiant, Weymouth Martin, being first duly sworn, states: That he is the President of the Butler County Water System, Inc., the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

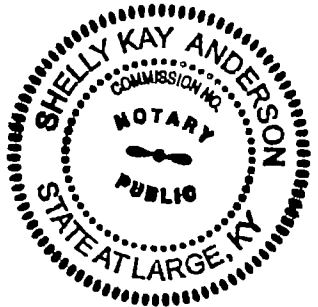
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 21<sup>st</sup> day of April, 2015.

Weymouth Martin  
Weymouth Martin, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Weymouth Martin, President of the Butler County Water System, Inc., on this the 21<sup>st</sup> day of April, 2015.

My Commission expires: 2-1-16.

Shelly Kay Anderson  
NOTARY PUBLIC  
#458223



Preliminary

**\$1,275,000**

Butler County Water Association  
 Potential Refunding through the  
 Kentucky Rural Water Finance Corporation

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/23/2015	-	-	-	-	-
08/01/2015	-	-	12,196.92	12,196.92	-
12/31/2015	-	-	-	-	12,196.92
02/01/2016	45,000.00	3.000%	22,402.50	67,402.50	-
08/01/2016	-	-	21,727.50	21,727.50	-
12/31/2016	-	-	-	-	89,130.00
02/01/2017	45,000.00	3.000%	21,727.50	66,727.50	-
08/01/2017	-	-	21,052.50	21,052.50	-
12/31/2017	-	-	-	-	87,780.00
02/01/2018	45,000.00	3.000%	21,052.50	66,052.50	-
08/01/2018	-	-	20,377.50	20,377.50	-
12/31/2018	-	-	-	-	86,430.00
02/01/2019	45,000.00	3.000%	20,377.50	65,377.50	-
08/01/2019	-	-	19,702.50	19,702.50	-
12/31/2019	-	-	-	-	85,060.00
02/01/2020	55,000.00	3.000%	19,702.50	74,702.50	-
08/01/2020	-	-	18,877.50	18,877.50	-
12/31/2020	-	-	-	-	93,580.00
02/01/2021	55,000.00	3.000%	18,877.50	73,877.50	-
08/01/2021	-	-	18,052.50	18,052.50	-
12/31/2021	-	-	-	-	91,930.00
02/01/2022	55,000.00	3.000%	18,052.50	73,052.50	-
08/01/2022	-	-	17,227.50	17,227.50	-
12/31/2022	-	-	-	-	90,280.00
02/01/2023	55,000.00	3.000%	17,227.50	72,227.50	-
08/01/2023	-	-	16,402.50	16,402.50	-
12/31/2023	-	-	-	-	88,630.00
02/01/2024	60,000.00	3.000%	16,402.50	76,402.50	-
08/01/2024	-	-	15,502.50	15,502.50	-
12/31/2024	-	-	-	-	91,905.00
02/01/2025	65,000.00	3.000%	15,502.50	80,502.50	-
08/01/2025	-	-	14,527.50	14,527.50	-
12/31/2025	-	-	-	-	95,030.00
02/01/2026	65,000.00	3.850%	14,527.50	79,527.50	-
08/01/2026	-	-	13,276.25	13,276.25	-
12/31/2026	-	-	-	-	92,803.75
02/01/2027	65,000.00	3.850%	13,276.25	78,276.25	-
08/01/2027	-	-	12,025.00	12,025.00	-
12/31/2027	-	-	-	-	90,301.25
02/01/2028	70,000.00	3.850%	12,025.00	82,025.00	-
08/01/2028	-	-	10,677.50	10,677.50	-
12/31/2028	-	-	-	-	92,702.50
02/01/2029	75,000.00	3.850%	10,677.50	85,677.50	-
08/01/2029	-	-	9,233.75	9,233.75	-
12/31/2029	-	-	-	-	94,911.25
02/01/2030	75,000.00	3.850%	9,233.75	84,233.75	-
08/01/2030	-	-	7,790.00	7,790.00	-
12/31/2030	-	-	-	-	92,023.75
02/01/2031	75,000.00	3.850%	7,790.00	82,790.00	-
08/01/2031	-	-	6,346.25	6,346.25	-
12/31/2031	-	-	-	-	89,136.25
02/01/2032	75,000.00	3.850%	6,346.25	81,346.25	-
08/01/2032	-	-	4,902.50	4,902.50	-
12/31/2032	-	-	-	-	86,248.75
02/01/2033	80,000.00	3.850%	4,902.50	84,902.50	-
08/01/2033	-	-	3,362.50	3,362.50	-
12/31/2033	-	-	-	-	88,265.00
02/01/2034	75,000.00	3.850%	3,362.50	78,362.50	-
08/01/2034	-	-	1,918.75	1,918.75	-
12/31/2034	-	-	-	-	80,281.25
02/01/2035	50,000.00	3.850%	1,918.75	51,918.75	-
08/01/2035	-	-	956.25	956.25	-
12/31/2035	-	-	-	-	52,875.00
02/01/2036	45,000.00	4.250%	956.25	45,956.25	-
12/31/2036	-	-	-	-	45,956.25
<b>Total</b>	<b>\$1,275,000.00</b>	<b>-</b>	<b>\$542,476.92</b>	<b>\$1,817,476.92</b>	<b>-</b>

**Yield Statistics**

Bond Year Dollars	\$14,644.58
Average Life	11.486 Years
Average Coupon	3.7042837%
Net Interest Cost (NIC)	3.8348781%
True Interest Cost (TIC)	3.8494754%
Bond Yield for Arbitrage Purposes	3.6801597%
All Inclusive Cost (AIC)	4.1264382%
<b>IRS Form 8038</b>	
Net Interest Cost	3.7042837%
Weighted Average Maturity	11.486 Years

**Raymond James**

Public Finance

Preliminary

**\$1,275,000**

Butler County Water Association  
Potential Refunding through the  
Kentucky Rural Water Finance Corporation

## Total Issue Sources And Uses

Dated 04/23/2015 | Delivered 04/23/2015

	Series 1996	Series 1997 A	Series 1997 B	Issue Summary
<b>Sources Of Funds</b>				
Par Amount of Bonds	\$735,000.00	\$390,000.00	\$150,000.00	\$1,275,000.00
Transfers from Prior Issue Debt Service Funds	34,744.82	23,013.24	3,680.59	61,438.65
<b>Total Sources</b>	<b>\$769,744.82</b>	<b>\$413,013.24</b>	<b>\$153,680.59</b>	<b>\$1,336,438.65</b>
<b>Uses Of Funds</b>				
Total Underwriter's Discount (1.500%)	11,025.00	5,850.00	2,250.00	19,125.00
Costs of Issuance	13,907.35	7,379.41	2,838.24	24,125.00
Deposit to Current Refunding Fund	740,043.21	402,386.33	145,779.74	1,288,209.28
Rounding Amount	4,769.26	(2,602.50)	2,812.61	4,979.37
<b>Total Uses</b>	<b>\$769,744.82</b>	<b>\$413,013.24</b>	<b>\$153,680.59</b>	<b>\$1,336,438.65</b>

Preliminary

**\$1,275,000**

Butler County Water Association  
Potential Refunding through the  
Kentucky Rural Water Finance Corporation

## Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/31/2015	12,196.92	-	12,196.92	93,897.15	81,700.23
12/31/2016	89,130.00	450.00	89,580.00	93,843.40	4,263.40
12/31/2017	87,780.00	450.00	88,230.00	93,843.31	5,613.31
12/31/2018	86,430.00	450.00	86,880.00	93,843.54	6,963.54
12/31/2019	85,080.00	450.00	85,530.00	93,843.38	8,313.38
12/31/2020	93,580.00	450.00	94,030.00	93,842.96	(187.04)
12/31/2021	91,930.00	450.00	92,380.00	93,843.25	1,463.25
12/31/2022	90,280.00	450.00	90,730.00	93,843.97	3,113.97
12/31/2023	88,630.00	450.00	89,080.00	93,843.68	4,763.68
12/31/2024	91,905.00	450.00	92,355.00	93,842.79	1,487.79
12/31/2025	95,030.00	450.00	95,480.00	93,843.47	(1,636.53)
12/31/2026	92,803.75	450.00	93,253.75	93,843.57	589.82
12/31/2027	90,301.25	450.00	90,751.25	93,842.84	3,091.59
12/31/2028	92,702.50	450.00	93,152.50	93,842.76	690.26
12/31/2029	94,911.25	450.00	95,361.25	93,843.48	(1,517.77)
12/31/2030	92,023.75	450.00	92,473.75	93,842.91	1,369.16
12/31/2031	89,136.25	450.00	89,586.25	93,843.76	4,257.51
12/31/2032	86,248.75	450.00	86,698.75	93,843.31	7,144.56
12/31/2033	88,265.00	450.00	88,715.00	93,842.69	5,127.69
12/31/2034	80,281.25	450.00	80,731.25	86,207.64	5,476.39
12/31/2035	52,875.00	450.00	53,325.00	52,117.30	(1,207.70)
12/31/2036	45,956.25	450.00	46,406.25	48,898.69	2,492.44
<b>Total</b>	<b>\$1,817,476.92</b>	<b>\$9,450.00</b>	<b>\$1,826,926.92</b>	<b>\$1,970,299.85</b>	<b>\$143,372.93</b>

### PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	143,372.93
Gross PV Debt Service Savings	106,971.49
Effects of changes in Expenses	(6,274.09)
<b>Net PV Cashflow Savings @ 4.126%(AIC)</b>	<b>100,697.40</b>
Transfers from Prior Issue Debt Service Fund	(61,438.65)
Contingency or Rounding Amount	4,979.37
<b>Net Present Value Benefit</b>	<b>\$44,238.12</b>
Net PV Benefit / \$1,248,421 Refunded Principal	3.544%
Net Future Value Benefit	\$86,913.65
Net PV Benefit / \$1,275,000 Refunding Principal	3.470%
Average Annual Cash Flow Savings	6,516.95

### Refunding Bond Information

Refunding Dated Date	4/23/2015
Refunding Delivery Date	4/23/2015

**Raymond James**

Preliminary

**\$717,183**

Butler County Water Association

Series 1996 (91-12)

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	19,844.00	4.500%	32,273.24	52,117.24
12/31/2016	20,737.00	4.500%	31,380.26	52,117.26
12/31/2017	21,670.00	4.500%	30,447.09	52,117.09
12/31/2018	22,645.00	4.500%	29,471.94	52,116.94
12/31/2019	23,664.00	4.500%	28,452.92	52,116.92
12/31/2020	24,729.00	4.500%	27,388.04	52,117.04
12/31/2021	25,842.00	4.500%	26,275.23	52,117.23
12/31/2022	27,005.00	4.500%	25,112.34	52,117.34
12/31/2023	28,220.00	4.500%	23,897.12	52,117.12
12/31/2024	29,490.00	4.500%	22,627.22	52,117.22
12/31/2025	30,817.00	4.500%	21,300.17	52,117.17
12/31/2026	32,204.00	4.500%	19,913.40	52,117.40
12/31/2027	33,653.00	4.500%	18,464.22	52,117.22
12/31/2028	35,167.00	4.500%	16,949.84	52,116.84
12/31/2029	36,750.00	4.500%	15,367.32	52,117.32
12/31/2030	38,403.00	4.500%	13,713.57	52,116.57
12/31/2031	40,132.00	4.500%	11,985.44	52,117.44
12/31/2032	41,938.00	4.500%	10,179.50	52,117.50
12/31/2033	43,825.00	4.500%	8,292.29	52,117.29
12/31/2034	45,797.00	4.500%	6,320.16	52,117.16
12/31/2035	47,858.00	4.500%	4,259.30	52,117.30
12/31/2036	46,793.00	4.500%	2,105.69	48,898.69
<b>Total</b>	<b>\$717,183.00</b>	-	<b>\$426,176.30</b>	<b>\$1,143,359.30</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/23/2015
Average Life	12.497 Years
Average Coupon	4.7550636%
Weighted Average Maturity (Par Basis)	12.497 Years

### Refunding Bond Information

Refunding Dated Date	4/23/2015
Refunding Delivery Date	4/23/2015

Preliminary

**\$387,754**

Butler County Water Association  
Series 1997 A (91-17)

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	12,266.00	4.750%	18,418.32	30,684.32
12/31/2016	12,848.00	4.750%	17,835.68	30,683.68
12/31/2017	13,459.00	4.750%	17,225.40	30,684.40
12/31/2018	14,098.00	4.750%	16,586.10	30,684.10
12/31/2019	14,768.00	4.750%	15,916.44	30,684.44
12/31/2020	15,469.00	4.750%	15,214.96	30,683.96
12/31/2021	16,204.00	4.750%	14,480.19	30,684.19
12/31/2022	16,974.00	4.750%	13,710.50	30,684.50
12/31/2023	17,780.00	4.750%	12,904.23	30,684.23
12/31/2024	18,624.00	4.750%	12,059.68	30,683.68
12/31/2025	19,509.00	4.750%	11,175.04	30,684.04
12/31/2026	20,436.00	4.750%	10,248.36	30,684.36
12/31/2027	21,406.00	4.750%	9,277.65	30,683.65
12/31/2028	22,423.00	4.750%	8,260.87	30,683.87
12/31/2029	23,488.00	4.750%	7,195.78	30,683.78
12/31/2030	24,604.00	4.750%	6,080.10	30,684.10
12/31/2031	25,773.00	4.750%	4,911.41	30,684.41
12/31/2032	26,997.00	4.750%	3,687.19	30,684.19
12/31/2033	28,279.00	4.750%	2,404.83	30,683.83
12/31/2034	22,349.00	4.750%	1,061.58	23,410.58
<b>Total</b>	<b>\$387,754.00</b>	<b>-</b>	<b>\$218,654.31</b>	<b>\$606,408.31</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/23/2015
Average Life	11.077 Years
Average Coupon	5.0906678%
Weighted Average Maturity (Par Basis)	11.077 Years

### Refunding Bond Information

Refunding Dated Date	4/23/2015
Refunding Delivery Date	4/23/2015

Preliminary

**\$143,484**

Butler County Water Association  
Series 1997 A (91-16)

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	4,585.00	4.500%	6,510.59	11,095.59
12/31/2016	4,792.00	4.500%	6,250.46	11,042.46
12/31/2017	5,007.00	4.500%	6,034.82	11,041.82
12/31/2018	5,233.00	4.500%	5,809.50	11,042.50
12/31/2019	5,468.00	4.500%	5,574.02	11,042.02
12/31/2020	5,714.00	4.500%	5,327.96	11,041.96
12/31/2021	5,971.00	4.500%	5,070.83	11,041.83
12/31/2022	6,240.00	4.500%	4,802.13	11,042.13
12/31/2023	6,521.00	4.500%	4,521.33	11,042.33
12/31/2024	6,814.00	4.500%	4,227.89	11,041.89
12/31/2025	7,121.00	4.500%	3,921.26	11,042.26
12/31/2026	7,441.00	4.500%	3,600.81	11,041.81
12/31/2027	7,776.00	4.500%	3,265.97	11,041.97
12/31/2028	8,126.00	4.500%	2,916.05	11,042.05
12/31/2029	8,492.00	4.500%	2,550.38	11,042.38
12/31/2030	8,874.00	4.500%	2,168.24	11,042.24
12/31/2031	9,273.00	4.500%	1,768.91	11,041.91
12/31/2032	9,690.00	4.500%	1,351.62	11,041.62
12/31/2033	10,126.00	4.500%	915.57	11,041.57
12/31/2034	10,220.00	4.500%	459.90	10,679.90
<b>Total</b>	<b>\$143,484.00</b>	<b>-</b>	<b>\$77,048.24</b>	<b>\$220,532.24</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/23/2015
Average Life	11.577 Years
Average Coupon	4.6382046%
Weighted Average Maturity (Par Basis)	11.577 Years

### Refunding Bond Information

Refunding Dated Date	4/23/2015
Refunding Delivery Date	4/23/2015

**Butler County Water System, Inc.**  
**Balance Sheets**

December 31,	2014	2013
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 819,188	\$ 775,989
Short-term investments	500,000	500,000
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$80,275 and \$75,962	58,195	59,235
Accounts receivable – WCWD	104,562	46,003
Accounts receivable – SCWD	21	19
Accounts receivable – other	385	549
Prepaid expenses	18,628	19,132
Total current assets	1,500,979	1,400,927
Property, Plant & Equipment		
Land and land rights	101,521	101,521
Utility plant in service	27,067,177	26,844,892
Construction in progress	286,452	172,498
Less: accumulated depreciation	(8,520,237)	(7,975,452)
Property, plant & equipment, net	18,934,913	19,143,459
Other Assets		
Restricted cash and cash equivalents	401,024	374,175
Restricted investments	131,030	125,749
Deferred charges	122,853	120,485
Total other assets	654,907	620,409
<b>Total Assets</b>	<b>\$ 21,090,799</b>	<b>\$ 21,164,795</b>

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



**Butler County Water System, Inc.**  
**Balance Sheets**

December 31,	2014	2013
<b>Liabilities and Members' Equity</b>		
Current Liabilities		
Accounts payable	\$ 31,899	\$ 7,802
Accounts payable – WCWD	70,373	96,751
Accounts payable – SCWD	39	-
Accrued interest payable	65,438	67,766
Other current liabilities	5,404	4,697
Current portion of long-term debt	201,849	184,273
Total current liabilities	375,002	361,289
Long-term Liabilities		
Rebates payable	12,150	14,625
Customer deposits	127,290	125,305
Loans payable	4,028,966	4,230,985
Total long-term liabilities	4,168,406	4,370,915
Total liabilities	4,543,408	4,732,204
Members' equity		
Capital investments	14,198,877	14,085,948
Retained earnings	2,348,514	2,346,643
Total members' equity	16,547,391	16,432,591
Total Liabilities and Members' Equity	\$ 21,090,799	\$ 21,164,795

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

**Butler County Water System, Inc.**  
**Statements of Operations**

<b>Years Ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>		
Metered sales:		
Residential	\$ 1,526,858	\$ 1,462,847
Commercial	233,797	198,875
Resale	398	29
Total metered sales	<b>1,761,053</b>	1,661,751
Forfeited discounts	29,836	29,217
Miscellaneous service revenue	30,521	28,725
Total operating revenues	<b>1,821,410</b>	1,719,693
<b>Operating Expenses</b>		
Pumping expense:		
Purchased power	46,585	38,199
Insurance	2,747	2,709
Miscellaneous	1,084	3,202
Professional services	720	754
Total pumping expense	<b>51,136</b>	44,864
Water treatment expense:		
Purchased power	87,830	79,719
Chemicals	48,616	39,612
Materials and supplies	10,441	12,779
Insurance	5,495	5,418
Salaries and benefits	89,308	88,966
Contractual services	3,355	3,209
Miscellaneous	5,656	5,758
Professional services	1,440	1,508
Total water treatment expense	<b>252,141</b>	236,969
General distribution expense:		
Purchased power	4,125	3,960
Salaries and benefits	123,100	109,820
Materials and supplies	23,061	21,198
Insurance	11,905	11,738
Miscellaneous	27,241	23,504
Contractual services	17,313	14,605
Professional services	721	755
Total general distribution expense	<b>207,466</b>	185,580

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

**Butler County Water System, Inc.**  
**Statements of Operations**

<b>Years Ended December 31,</b>	<b>2014</b>	<b>2013</b>
Customer accounts expense:		
Salaries and benefits	<b>209,025</b>	190,700
Contractual services	<b>47,903</b>	46,889
Uncollectible accounts	<b>4,313</b>	3,290
Materials and supplies	<b>1,475</b>	1,170
Insurance	<b>1,374</b>	1,354
Miscellaneous	<b>34,494</b>	27,229
Professional services	<b>2,162</b>	2,263
Total customer accounts expense	<b>300,746</b>	272,895
Maintenance expense:		
Pumping equipment and storage expense	<b>18,652</b>	18,447
Salaries and benefits	<b>101,942</b>	105,478
Contractual services	<b>32,043</b>	30,282
Professional services	<b>1,441</b>	1,509
Total maintenance expense	<b>154,078</b>	155,716
Administrative and general expense:		
Salaries and benefits	<b>82,858</b>	78,907
Materials and supplies	<b>5,460</b>	3,327
Insurance	<b>2,439</b>	2,323
Miscellaneous	<b>3,861</b>	3,048
Contractual services	<b>30,199</b>	26,215
Professional services	<b>3,272</b>	4,992
Total administrative and general expense	<b>128,089</b>	118,812
Depreciation and amortization expense	<b>572,559</b>	554,672
Total operating expenses	<b>1,666,215</b>	1,569,508
Operating income	<b>155,195</b>	150,185

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

**Butler County Water System, Inc.**  
**Statements of Operations**

<b>Years Ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Non-Operating Revenues (Expenses)</b>		
Other income	-	14,545
Interest income	<b>9,055</b>	9,221
Interest expense on long-term debt	<b>(165,094)</b>	(171,087)
Interest expense on customer deposits	<b>(158)</b>	(208)
Gain on disposition of assets	<b>6,230</b>	-
PSC taxes	<b>(3,357)</b>	(3,181)
<b>Total non-operating revenues (expenses)</b>	<b>(153,324)</b>	<b>(150,710)</b>
<b>Net Income (Loss)</b>	<b>\$ 1,871</b>	<b>\$ (525)</b>

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

**Butler County Water System, Inc.**  
**Statements of Cash Flows**

<b>Years Ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and agencies	\$ 1,764,053	\$ 1,719,687
Payments to suppliers for goods and services	(501,730)	(400,847)
Payments for contractual services	(606,233)	(573,871)
Net cash provided by operating activities	656,090	744,969
<b>Cash Flows From Noncapital Financing Activities</b>		
Interest paid on customer deposits	(158)	(208)
Net cash used in noncapital financing activities	(158)	(208)
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from capital asset disposals	7,319	-
Principal repayment on long-term debt	(184,443)	(66,485)
Contributions in aid of construction	112,929	114,293
Purchases of capital assets	(358,041)	(396,759)
Interest paid on long-term debt	(167,422)	(134,054)
Net cash used in capital and related financing activities	(589,658)	(483,005)
<b>Cash Flows From Investing Activities</b>		
Purchase of short-term investments	(5,281)	(377)
Interest income	9,055	9,221
Net cash provided by investing activities	3,774	8,844
Net Increase in Cash and Cash Equivalents	70,048	270,600
Balances – Beginning of Year	1,150,164	879,564
<b>Balances – End of Year</b>	<b>\$ 1,220,212</b>	<b>\$ 1,150,164</b>

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

**Butler County Water System, Inc.**  
**Statements of Cash Flows**

<b>Years Ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ 155,195	\$ 150,185
Adjustment to reconcile net operating income to net cash provided by operating activities:		
Depreciation	565,498	547,296
Amortization	7,061	7,376
Non-utility income	-	14,545
Payment of PSC taxes	(3,357)	(3,181)
Changes in assets and liabilities:		
Net (increase) decrease in accounts receivable, net	(57,357)	105,759
Net (increase) decrease in prepaid insurance	504	(2,848)
Net increase in deferred charges	(9,429)	(1,901)
Net decrease in accounts payable	(2,242)	(75,681)
Net increase (decrease) in other current liabilities	707	(14)
Net increase in customer deposits	1,985	3,433
Net decrease in rebates payable	(2,475)	-
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 656,090</b>	<b>\$ 744,969</b>

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