

**Butler County Water System, Inc.**  
**Audited Financial Statements and**  
**Supplementary Information**  
**December 31, 2023 and 2022**

**Jones & Associates** CPAs, PSC  
Certified Public Accountants



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## **BUTLER COUNTY WATER SYSTEM, INC.**

### **FINANCIAL AND STATISTICAL HIGHLIGHTS**

The following are financial and statistical highlights of Butler County Water System, Inc. for the year ending December 31, 2023.

- The System's assets totaled \$22,025,750 and decreased by \$26,790 or 0.12% from the prior year reflecting a decrease in utility plant, net of depreciation. Liabilities totaled \$4,601,442 and decreased by \$204,121 or 4.3% reflecting a reduction in long-term debt.
- Metered sales totaled \$2,162,477 and decreased by \$44,683 from the prior year, a 2% decrease. Residential sales decreased by \$38,879 and commercial, agricultural, fire protection, and other sales decreased by a total of \$5,804.
- Total revenues for the year totaled \$2,225,402 and decreased by \$42,606 from the prior year, a 1.9% decrease. Total expenses were \$2,474,607 for the year and decreased by \$349,492 from last year, a 12.4% decrease. In the year 2022, an adjustment in depreciable lives of utility assets resulted in greater depreciation expense of \$685,462 compared to year 2023.
- A loss before Contributions in Aid of Construction totaled \$316,756 compared to the prior year's loss of \$677,990. The loss is reflected in decreased revenues and increased operating expenses.
- The System uses Green River as a water source and produces water at its water treatment facility located in Morgantown, Kentucky. Total gallons produced for the year was 338.5 million compared to 350.8 million gallons produced in the prior year, a decrease of 12.3 million gallons. The maximum volume of water pumped in a single day was 1.3 million gallons on May 29th.
- Total gallons sold to the System's customers during the year amounted to 267.6 million compared to 269.9 million gallons in the prior year, a decrease of 2.3 million gallons. The peak month for customer demand was July with 30.6 million gallons sold.
- The average monthly usage per residential customer was 4,046 gallons compared to 4,083 gallons in the prior year. The average monthly usage per commercial customer was 9,117 gallons compared to 9,828 gallons in the prior year.
- The number of customers totaled 5,044 consisting of 4,669 residential customers and 375 commercial and other classes of customers with 33 new meter applications received throughout the year. The System has a total of 519 miles of distribution main serving an average of 9.7 customers per mile.
- On March 13, 2024, the System filed an Alternative Rate Adjustment with the Kentucky Public Service Commission (PSC) proposing a 34.5 percent rate increase to be phased-in over two years. The proposed rates will become effective when the PSC issues an order approving the rates.

# Jones & Associates CPAs, PSC

## Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Board of Directors of  
Butler County Water System, Inc.

### **Independent Auditor's Report**

#### **Report on the Audit of the Financial Statements**

##### *Opinion*

We have audited the accompanying financial statements of Butler County Water System, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2023 and 2022, and the related Statements of Activities 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 Butler County Water System, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Butler County Water System, Inc. 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 Butler County Water System, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

**To the Board of Directors of  
Butler County Water System, Inc.  
Independent Auditor's Report  
(Continued)**

**Report on the Audit of the Financial Statements (Continued)**

*Auditor's 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 and *Government 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 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 and *Government 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 Butler County Water System, Inc.'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 Butler County Water System, Inc.'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.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial and Statistical Highlights and Schedule of Budgetary Comparison are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**To the Board of Directors of  
Butler County Water System, Inc.  
Independent Auditor's Report  
(Continued)**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of Butler County Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Butler County Water System, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Butler County Water System, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

March 29, 2024

Financial Statements

**Butler County Water System, Inc.**  
**Statement of Financial Position**  
**December 31, 2023 and 2022**

|   | <b>2023</b>          | <b>2022</b><br><b>(Restated)</b> |
|---|----------------------|----------------------------------|
| <b>Assets</b>                                   |                      |                                  |
| Current assets                                  |                      |                                  |
| Cash and cash equivalents (Restated)            | \$ 1,828,202         | \$ 2,228,715                     |
| Customer accounts receivable, net               | 61,307               | 69,037                           |
| Unbilled receivable                             | 170,340              | 191,012                          |
| Accounts receivable - Other                     | 4,972                | 6,800                            |
| Prepaid assets                                  | 20,462               | 18,460                           |
| Other current assets                            | 491,491              | 61,532                           |
| Total current assets                            | \$ 2,576,774         | \$ 2,575,556                     |
| Other assets                                    |                      |                                  |
| Property, plant, and equipment, net             | \$ 17,930,714        | \$ 18,570,606                    |
| Restricted cash and cash equivalents (Restated) | 675,812              | 649,590                          |
| Construction in progress                        | 842,450              | 256,788                          |
| Total other assets                              | \$ 19,448,976        | \$ 19,476,984                    |
| <b>Total assets</b>                             | <b>\$ 22,025,750</b> | <b>\$ 22,052,540</b>             |
| <b>Liabilities and net assets</b>               |                      |                                  |
| Liabilities                                     |                      |                                  |
| Current liabilities                             |                      |                                  |
| Accounts payable                                | \$ 173,143           | \$ 141,906                       |
| Accounts payable - WCWD                         | 11,341               | 22,737                           |
| Customer deposits                               | 186,108              | 183,024                          |
| Bonds and notes payable                         | 246,410              | 235,569                          |
| Interest payable                                | 63,632               | 67,379                           |
| Other current liabilities                       | 7,355                | 6,413                            |
| Total current liabilities                       | \$ 687,989           | \$ 657,028                       |
| Noncurrent liabilities                          |                      |                                  |
| Bonds and notes payable, net                    | \$ 3,781,825         | \$ 4,024,431                     |
| Other postemployment benefits                   | 129,688              | 122,164                          |
| Rebates payable                                 | 1,940                | 1,940                            |
| Total noncurrent liabilities                    | \$ 3,913,453         | \$ 4,148,535                     |
| Total liabilities                               | \$ 4,601,442         | \$ 4,805,563                     |
| Net assets                                      |                      |                                  |
| Without donor restriction                       | \$ 17,424,308        | \$ 17,246,977                    |
| Total net assets                                | \$ 17,424,308        | \$ 17,246,977                    |
| <b>Total liabilities and net assets</b>         | <b>\$ 22,025,750</b> | <b>\$ 22,052,540</b>             |

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



**Butler County Water System, Inc.**  
**Statement of Activities**  
**For the Years Ended December 31, 2023 and 2022**

|   | <b>2023</b>         | <b>2022<br/>(Restated)</b> |
|---|---------------------|----------------------------|
| <b>Revenues, gains, and other support</b> |                     |                            |
| Residential metered sales                 | \$ 1,879,071        | \$ 1,917,950               |
| Commercial metered sales                  | 249,798             | 273,560                    |
| Industrial metered sales                  | 33,608              | 15,650                     |
| Forfeited discounts                       | 33,786              | 32,405                     |
| Miscellaneous service revenue             | 29,139              | 28,443                     |
|   | <u>\$ 2,225,402</u> | <u>\$ 2,268,008</u>        |
| <b>Expenses and losses</b>                |                     |                            |
| Expenses                                  |                     |                            |
| Pumping                                   |                     |                            |
| Salaries and benefits                     | \$ 947              | \$ 687                     |
| Insurance                                 | 2,990               | 2,605                      |
| Professional services                     | 857                 | 500                        |
| Miscellaneous                             | 1,283               | 1,360                      |
|   | <u>\$ 6,077</u>     | <u>\$ 5,152</u>            |
| Total pumping                             |                     |                            |
|   | <u>\$ 6,077</u>     | <u>\$ 5,152</u>            |
| Water treatment                           |                     |                            |
| Salaries and benefits (Restated)          | \$ 131,211          | \$ 136,436                 |
| Purchased power                           | 84,075              | 93,555                     |
| Insurance                                 | 5,981               | 5,211                      |
| Chemicals                                 | 93,091              | 88,875                     |
| Material and supplies (Restated)          | 2,160               | 3,957                      |
| Contractual services (Restated)           | 3,160               | 2,827                      |
| Professional services (Restated)          | 857                 | 500                        |
| Miscellaneous (Restated)                  | 6,774               | 7,939                      |
|   | <u>\$ 327,309</u>   | <u>\$ 339,300</u>          |
| Total water treatment                     |                     |                            |
|   | <u>\$ 327,309</u>   | <u>\$ 339,300</u>          |
| General distribution                      |                     |                            |
| Salaries and benefits                     | \$ 158,221          | \$ 135,657                 |
| Purchased power (Restated)                | 56,011              | 60,749                     |
| Insurance                                 | 12,959              | 11,290                     |
| Material and supplies (Restated)          | 12,466              | 9,010                      |
| Contractual services                      | 31,792              | 20,050                     |
| Professional services                     | 858                 | 500                        |
| Miscellaneous                             | 37,350              | 38,733                     |
|   | <u>\$ 309,657</u>   | <u>\$ 275,989</u>          |
| Total general distribution                |                     |                            |
|   | <u>\$ 309,657</u>   | <u>\$ 275,989</u>          |
| Customer accounts                         |                     |                            |
| Salaries and benefits                     | \$ 174,514          | \$ 175,615                 |
| Insurance                                 | 1,495               | 1,303                      |

**Butler County Water System, Inc.**  
**Statement of Activities**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Expenses and losses** *(Continued)*

Expenses *(Continued)*

Customer accounts *(Continued)*

|                          |    |               |    |               |
|--------------------------|----|---------------|----|---------------|
| Material and supplies    | \$ | 4,011         | \$ | 4,747         |
| Contractual services     |    | 55,694        |    | 50,993        |
| Professional services    |    | 2,635         |    | 1,500         |
| Miscellaneous (Restated) |    | 32,761        |    | 30,425        |
|                          |    | <u>32,761</u> |    | <u>30,425</u> |

|                         |    |                |    |                |
|-------------------------|----|----------------|----|----------------|
| Total customer accounts | \$ | <u>271,110</u> | \$ | <u>264,583</u> |
|-------------------------|----|----------------|----|----------------|

Maintenance

|                                   |    |               |    |               |
|-----------------------------------|----|---------------|----|---------------|
| Salaries and benefits (Restated)  | \$ | 145,140       | \$ | 137,436       |
| Materials and supplies (Restated) |    | 90,787        |    | 61,397        |
| Contractual services (Restated)   |    | 107,218       |    | 81,340        |
| Professional services (Restated)  |    | 2,572         |    | 1,500         |
| Miscellaneous (Restated)          |    | 31,368        |    | 35,929        |
|                                   |    | <u>31,368</u> |    | <u>35,929</u> |

|                   |    |                |    |                |
|-------------------|----|----------------|----|----------------|
| Total maintenance | \$ | <u>377,085</u> | \$ | <u>317,602</u> |
|-------------------|----|----------------|----|----------------|

Administrative and general

|                               |    |               |    |               |
|-------------------------------|----|---------------|----|---------------|
| Salaries and benefits         | \$ | 85,707        | \$ | 92,693        |
| Insurance                     |    | 2,697         |    | 2,505         |
| Material and supplies         |    | 5,501         |    | 7,012         |
| Contractual services          |    | 61,661        |    | 56,711        |
| Professional services         |    | 3,197         |    | 1,702         |
| Other postemployment benefits |    | 4,514         |    | (25,349)      |
| Miscellaneous (Restated)      |    | 22,235        |    | 22,793        |
|                               |    | <u>22,235</u> |    | <u>22,793</u> |

|                                  |    |                |    |                |
|----------------------------------|----|----------------|----|----------------|
| Total administrative and general | \$ | <u>185,512</u> | \$ | <u>158,067</u> |
|----------------------------------|----|----------------|----|----------------|

|              |    |                |    |                  |
|--------------|----|----------------|----|------------------|
| Depreciation | \$ | <u>994,053</u> | \$ | <u>1,459,231</u> |
|--------------|----|----------------|----|------------------|

|              |    |              |    |              |
|--------------|----|--------------|----|--------------|
| Amortization | \$ | <u>3,804</u> | \$ | <u>4,175</u> |
|--------------|----|--------------|----|--------------|

|                |    |                  |    |                  |
|----------------|----|------------------|----|------------------|
| Total expenses | \$ | <u>2,474,607</u> | \$ | <u>2,824,099</u> |
|----------------|----|------------------|----|------------------|

|                                  |    |                  |    |                  |
|----------------------------------|----|------------------|----|------------------|
| <b>Total expenses and losses</b> | \$ | <u>2,474,607</u> | \$ | <u>2,824,099</u> |
|----------------------------------|----|------------------|----|------------------|

**Non-operating revenues (expenses)**

|                            |    |                  |    |                  |
|----------------------------|----|------------------|----|------------------|
| Interest revenue           | \$ | 70,188           | \$ | 28,352           |
| Loss on disposal of assets |    |                  |    | (5,840)          |
| Other income               |    | 680              |    | 684              |
| Regulatory commission tax  |    | (2,953)          |    | (3,296)          |
| Interest expense           |    | (135,466)        |    | (141,799)        |
|                            |    | <u>(135,466)</u> |    | <u>(141,799)</u> |

|  |    |                 |    |                  |
|--|----|-----------------|----|------------------|
| <b>Total non-operating revenues (expenses)</b> | \$ | <u>(67,551)</u> | \$ | <u>(121,899)</u> |
|--|----|-----------------|----|------------------|

**Butler County Water System, Inc.**  
**Statement of Activities**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

|   |    |                          |    |                          |
|---|----|--------------------------|----|--------------------------|
| <b>Change in net assets before contributions in aid of construction</b> | \$ | (316,756)                | \$ | (677,990)                |
| <b>Contributions in aid of construction</b>                             |    | <u>494,087</u>           |    | <u>24,210</u>            |
| <b>Change in net assets</b>   | \$ | 177,331                  | \$ | (653,780)                |
| <b>Net assets - Beginning of year</b>                                   |    | <u>17,246,977</u>        |    | <u>17,900,757</u>        |
| <b>Net assets - End of year</b>   | \$ | <u><u>17,424,308</u></u> | \$ | <u><u>17,246,977</u></u> |

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

**Butler County Water System, Inc.**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

|  | <b>2023</b>      | <b>2022</b> | <b>(Restated)</b> |
|--|------------------|-------------|-------------------|
| <b>Cash flows from operating activities</b>  |                  |             |                   |
| Increase (decrease) in net assets  | \$ 177,331       | \$          | (653,780)         |
| Adjustments to reconcile change in net assets to net cash                              |                  |             |                   |
| (Increase) decrease in   |                  |             |                   |
| Customer accounts receivable, net  | 7,730            |             | (2,437)           |
| Unbilled receivable  | 20,672           |             | (23,187)          |
| Accounts receivable - Other  | 1,828            |             | 78                |
| Prepaid assets   | (2,002)          |             | (612)             |
| Other current assets   | (429,959)        |             | (27,545)          |
| Increase (decrease) in   |                  |             |                   |
| Accounts payable   | 31,237           |             | 27,384            |
| Accounts payable - WCWD  | (11,396)         |             | 4,541             |
| Customer deposits  | 3,084            |             | 1,875             |
| Interest payable   | (3,747)          |             | (3,389)           |
| Other current liabilities  | 942              |             | 104               |
| Other postemployment benefits  | 4,514            |             | (25,349)          |
| Depreciation   | 994,053          |             | 1,459,231         |
| Loss (gain) on disposal of assets  |                  |             | 5,840             |
| Amortization   | 3,804            |             | 4,175             |
|  | <u>798,091</u>   | <u>\$</u>   | <u>766,929</u>    |
| <b>Net cash provided (used) by operating activities</b>                                |                  |             |                   |
| <b>Cash flows from investing activities</b>  |                  |             |                   |
| Purchase of property and equipment   | \$ (936,813)     | \$          | (333,837)         |
|  | <u>(936,813)</u> | <u>\$</u>   | <u>(333,837)</u>  |
| <b>Net cash provided (used) by investing activities</b>                                |                  |             |                   |
| <b>Cash flows from financing activities</b>  |                  |             |                   |
| Repayment of debt  | \$ (235,569)     | \$          | (224,751)         |
|  | <u>(235,569)</u> | <u>\$</u>   | <u>(224,751)</u>  |
| <b>Net cash provided (used) by financing activities</b>                                |                  |             |                   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                            | \$ (374,291)     | \$          | 208,341           |
| <b>Cash and cash equivalents - Beginning of year</b>                                   | <u>2,878,305</u> | <u></u>     | <u>2,669,964</u>  |
| <b>Cash and cash equivalents - End of year</b>   | <u>2,504,014</u> | <u>\$</u>   | <u>2,878,305</u>  |
| <b>Cash and cash equivalents reported in the Statement of Financial Position</b>       |                  |             |                   |
| Cash and cash equivalents (Restated)   | \$ 1,828,202     | \$          | 2,228,715         |
| Restricted cash and cash equivalents (Restated)  | 675,812          |             | 649,590           |
|  | <u>2,504,014</u> | <u>\$</u>   | <u>2,878,305</u>  |
| <b>Total cash and cash equivalents reported in the Statement of Financial Position</b> |                  |             |                   |
| <b>Supplemental disclosure of cash flow information</b>                                |                  |             |                   |
| Cash paid during the year for interest   | \$ 136,863       | \$          | 144,990           |
|  | <u>136,863</u>   | <u>\$</u>   | <u>144,990</u>    |

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

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Note 1. Description of Business and Summary of Significant Accounting Policies**

**Description of Business**

Butler County Water System, Inc. (System) is a water association organized as a non-profit corporation under Kentucky Revised Statute (KRS) Section 273 and is under the authority of the Public Service Commission of Kentucky. The System provides a public water system to citizens primarily located in Butler County, Kentucky. The accounting policies of the System conform to generally accepted accounting principles as applicable to a non-profit membership association. The System is governed by a 5-member board (Board). The Board is elected by the members of the System and has the power and authority to acquire, construct, maintain, and operate the waterworks system.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting. Operating revenues are revenues generated from general water operations (water sales, forfeited discounts, and miscellaneous service revenue) and all other non-water revenues are considered non-operating revenues.

**Cash and Cash Equivalents**

Cash and cash equivalents include investments purchased with an initial maturity of 90 days or less.

**Investments**

Investments, which consists of certificates of deposits, are recorded at fair value which approximates cost.

**Use of Estimates**

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

**Property, Plant, and Equipment**

The System has ongoing activities of assessing the feasibility of installing additional lines to new service areas. Once an extension is considered feasible, there are additional engineering studies, applications to various funding agencies, and project administrative costs. The System defers the ongoing activity and capitalizes these costs as part of the utility plant upon completion of the project.

Management's capitalization policy is based upon the asset's estimated future benefit. Depreciation is computed using the straight-line method over the estimated useful life of the utility plant asset. The estimated useful lives range from 5 to 62.5 years for utility plant assets.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 1. Description of Business and Summary of Significant Accounting Policies** *(Continued)*

**Tax Exempt Status**

The Internal Revenue Service has determined that the System is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code.

**Accounts Receivable and Allowance for Doubtful Accounts**

Customer accounts receivable amounts arise from monthly water usage. Based on System policy, water meters are read monthly, with billings occurring approximately 10 days subsequent to the reading. Once billed, the customer has 16 days to pay the amount due. If payment is not made by the due date, a grace period of 2 to 4 days is granted. If payment is not made at the expiration of the grace period, a late penalty is assessed to water charges and delinquent notices are sent. Customers are given 14 days from the date of the delinquent notice to render payment. Customer service places calls to facilitate collection. If no payment is received, collection trips are made to the service location. If collection does not occur, the meter is shut off. The balance of customer accounts receivable, net was \$61,307 and \$69,037 for December 31, 2023 and 2022, respectively.

Management's periodic evaluation of the adequacy of the allowance for doubtful accounts is based on past loss experience, known and other risks inherent to the specific amount, adverse situations that may affect the customer's ability to render payment, and current economic conditions. Management considers many factors in determining whether a receivable is impaired, such as payment history and changes in employment.

**Contributions in Aid of Construction**

Contributions in aid of construction consist of member fees; developer contributed utility systems; capital grants and other supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements.

**Uncertain Tax Positions**

The System follows accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2023, the System has no uncertain tax positions that qualify for recognition.

**Revenue and Revenue Recognition**

**Revenue from Contracts with Customers**

Service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing water service. These amounts are due from customers who are billed monthly. Revenue is recognized as performance obligations are satisfied. Customers are billed at the System's standard billing rates, which are updated annually.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 1. Description of Business and Summary of Significant Accounting Policies** *(Continued)*

**Revenue and Revenue Recognition** *(Continued)*

**Revenue from Contracts with Customers** *(Continued)*

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The System believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the performance obligation. The System measures the performance obligation from when services begin to when it is no longer required to provide services to that customer. The contract does not extend beyond the services already transferred.

**Revenue from Contributions**

The System recognizes contributions and grants when cash, securities or other assets, and unconditional promises to give, or notification of a beneficial interest, is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Grants from governmental agencies are earned based on agreed allowable costs for services provided. In the case of governmental grants, reimbursement is based on allowable costs expended for program services. Revenue is recognized when earned. Program payments under cost reimbursement contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

**Note 2. Tax Status**

The System believes it is no longer subject to income tax examinations for years prior to 2020.

**Note 3. Deposits, Restricted Cash and Cash Equivalents, and Restricted Investments**

**Deposits**

The System maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The depository institutions should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times.

Monies held for principal and interest payments on bonds are required to be kept in a separate bank account.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that, in the event of a depository institution's failure, the System's deposits may not be returned. The System's formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 3. Deposits, Restricted Cash and Cash Equivalents, and Restricted Investments** *(Continued)*

**Restricted Cash and Cash Equivalents**

Restricted cash consists of the following:

|                                   | <b><u>2023</u></b> | <b><u>2022</u></b><br><b><u>(Restated)</u></b> |
|-----------------------------------|--------------------|--|
| Sinking funds                     | \$ 299,094         | \$ 285,804                                     |
| Depreciation funds                | 177,762            | 177,762  |
| Customer deposits fund (Restated) | 186,108            | 183,024  |
| Construction funds                | <u>12,848</u>      | <u>3,000</u>                                   |
| Total restricted cash (Restated)  | <u>\$ 675,812</u>  | <u>\$ 649,590</u>                              |

The sinking funds are restricted to the payment of principal and interest on long-term debt. The depreciation funds are restricted to payment for improvements and approved repairs. The customer deposits fund is restricted to holding customer deposits until service is terminated. The construction funds are restricted to the payment of expenses on federally funded projects.

**Note 4. Concentrations of Risk**

The System extends credit to all citizens who live within the geographic location of the System and who utilize the utility system. Credit losses are generally minimal and within management's expectations.

**Note 5. Rochester Dam Regional Water Commission**

The Rochester Dam Regional Water Commission (Commission) is a water commission created pursuant to KRS Section 74.440 for the purpose of providing an adequate and dependable supply of water currently established by the water impoundment of Green River Lock and Dam #3 for the region which includes Butler, Muhlenberg, and Ohio Counties. To support this mission, the Commission began a project to repair the 180-year-old dam structure in 2018 at a cost of \$4,000,000 with \$3,000,000 being provided by a U.S. Economic Development Administration grant. The Commission issued bonds for the remaining cost and the project was completed in October 2021. Facilities withdrawing water from the impoundment are paying \$0.10 per 1,000 gallons withdrawn and the System has incurred cumulative costs totaling \$35,133 and \$40,956, respectively, for its participation in the Commission as of December 31, 2023 and 2022.

**Note 6. Related Parties**

The Warren County Water District (Warren) provides management, engineering, and repair and maintenance services to the System. The System shares common management with Warren. The System included \$4,122 and \$5,991, respectively, in accounts receivable from related parties and \$11,341 and \$22,737, respectively, in accounts payable to related parties at December 31, 2023 and 2022. During 2023 and 2022, expenses from Warren amounted to \$1,842,812 and \$1,233,002, respectively, for the following:



**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 6. Related Parties** *(Continued)*

|                                | <u>2023</u>         | <u>2022</u><br><u>(Restated)</u> |
|--------------------------------|---------------------|----------------------------------|
| Wages and benefits             |                     |                                  |
| Operation                      | \$ 536,477          | \$ 529,539                       |
| Administrative                 |                     |                                  |
| Supervision and administration | 143,792             | 140,541                          |
| Accounting                     | 48,203              | 45,464                           |
| Customer service               | 110,524             | 104,296                          |
| Engineering                    | 12,827              | 8,597                            |
| Operations – Other             | 341,277             | 286,210                          |
| Additions to plant             | 645,300             | 98,417                           |
| Special projects               | 4,412               | 19,938                           |
| Total                          | \$ <u>1,842,812</u> | \$ <u>1,233,002</u>              |

In addition to the above expenses, the System also recognized other post-employment benefits (OPEB) expenses of \$4,514 and \$(25,349), respectively, in 2023 and 2022. Warren accrues the projected value of retiree healthcare benefits earned during its employees' working lifetime. The OPEB expense reflected in administrative and general expense in the Statement of Activities is the System's proportionate share of annual OPEB costs (expense) recorded by Warren. The System's portion of the OPEB liability, included in the Statement of Financial Position, totaled \$129,688 and \$122,164, respectively, at December 31, 2023 and 2022.

The above expenses for the year ended December 31, 2022 were increased by \$47,252. This was due to expenses that were not included in the prior year. These expenses were included as part of the financial statements so no restatement of beginning net assets was necessary.

In the ordinary course of business, the System has and expects to continue to have transactions with Warren. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other entities and did not involve more than a normal risk of collectability or present any other unfavorable features to the System.

**Note 7. Reclassifications**

Expenses in the Statement of Activities for the year ended December 31, 2022 were restated based on account reclassifications in the year ended December 31, 2023. These reclassifications had no effect on beginning net assets. \$2,146 was also reclassified from restricted cash and cash equivalents to cash and cash equivalents in the Statement of Financial Position for December 31, 2022. This was to correct the amount of restricted cash and cash equivalents for customer deposits and had no effect on beginning net assets.

**Note 8. Risks of Loss**

The System's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage, and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management on an annual basis.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 9. Liquidity and Availability of Financial Assets**

The following reflects the System's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within 1 year of the balance sheet date:

|  | <u>2023</u>         | <u>2022</u><br><u>(Restated)</u> |
|--|---------------------|----------------------------------|
| Financial assets, at year-end  | \$ 2,740,633        | \$ 3,145,154                     |
| Less those unavailable for general expenditures within 1 year, due to donor-imposed restrictions |                     |                                  |
| Restricted for bond payments   | 476,856             | 463,566                          |
| Restricted for customer deposits (Restated)  | 186,108             | 183,024                          |
| Restricted for federally funded projects   | <u>12,848</u>       | <u>3,000</u>                     |
| Financial assets available to meet cash needs for general expenditures (Restated)                | <u>\$ 2,064,821</u> | <u>\$ 2,495,564</u>              |

The System does not have a formal liquidity management plan but purchases certificates of deposit occasionally.

**Note 10. Long-term Debt**

The following reflects the long-term debt activity for the year ended December 31, 2023:

|              | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u><br><u>Balance</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------|------------------------------------|------------------|-------------------|---------------------------------|--------------------------------------|
| USDA-RD 2014 | \$ 394,161                         | \$               | \$ 7,843          | \$ 386,318                      | \$ 8,058                             |
| USDA-RD 2018 | 1,321,586                          |                  | 22,726            | 1,298,860                       | 23,352                               |
| KRWFC 2012G  | 1,755,000                          |                  | 155,000           | 1,600,000                       | 160,000                              |
| KRWFC 2021B  | 810,000                            |                  | 50,000            | 760,000                         | 55,000                               |
| <b>Total</b> | <u>\$ 4,280,747</u>                | <u>\$</u>        | <u>\$ 235,569</u> | <u>4,045,178</u>                | <u>\$ 246,410</u>                    |

The following reflects the long-term debt activity for the year ended December 31, 2022:

|              | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u><br><u>Balance</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------|------------------------------------|------------------|-------------------|---------------------------------|--------------------------------------|
| USDA-RD 2014 | \$ 401,794                         | \$               | \$ 7,633          | \$ 394,161                      | \$ 7,843                             |
| USDA-RD 2018 | 1,343,704                          |                  | 22,118            | 1,321,586                       | 22,726                               |
| KRWFC 2012G  | 1,905,000                          |                  | 150,000           | 1,755,000                       | 155,000                              |
| KRWFC 2021B  | 855,000                            |                  | 45,000            | 810,000                         | 50,000                               |
| <b>Total</b> | <u>\$ 4,505,498</u>                | <u>\$</u>        | <u>\$ 224,751</u> | <u>4,280,747</u>                | <u>\$ 235,569</u>                    |

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 10. Long-term Debt** *(Continued)*

Principal and interest due at December 31, 2023 follows:

| <b><u>Year Ending December 31,</u></b> | <b><u>Interest</u></b> | <b><u>Principal</u></b> |
|--|------------------------|-------------------------|
| 2024                                   | \$ 128,122             | \$ 246,410              |
| 2025                                   | 118,999                | 252,273                 |
| 2026                                   | 109,651                | 258,161                 |
| 2027                                   | 100,079                | 269,073                 |
| 2028                                   | 90,222                 | 270,010                 |
| 2029 – 2033                            | 320,864                | 1,180,031               |
| 2034 – 2038                            | 179,967                | 457,638                 |
| 2039 – 2043                            | 139,505                | 249,255                 |
| 2044 – 2048                            | 103,295                | 285,465                 |
| 2049 – 2053                            | 61,825                 | 326,935                 |
| 2054 – 2058                            | 17,480                 | 249,927                 |
| Total                                  | <u>\$ 1,370,009</u>    | <u>\$ 4,045,178</u>     |

Principal and interest due at December 31, 2022 follows:

| <b><u>Year Ending December 31,</u></b> | <b><u>Interest</u></b> | <b><u>Principal</u></b> |
|--|------------------------|-------------------------|
| 2023                                   | \$ 136,863             | \$ 235,569              |
| 2024                                   | 128,122                | 246,410                 |
| 2025                                   | 118,999                | 252,273                 |
| 2026                                   | 109,651                | 258,161                 |
| 2027                                   | 100,079                | 269,073                 |
| 2028 – 2032                            | 362,105                | 1,234,945               |
| 2033 – 2037                            | 197,117                | 626,813                 |
| 2038 – 2042                            | 146,176                | 242,584                 |
| 2043 – 2047                            | 110,936                | 277,824                 |
| 2048 – 2052                            | 70,575                 | 318,185                 |
| 2053 – 2057                            | 25,914                 | 306,716                 |
| 2058                                   | 335                    | 12,194                  |
| Total                                  | <u>\$ 1,506,872</u>    | <u>\$ 4,280,747</u>     |

**USDA Rural Development 91-24 2014 Loan**

On November 24, 2014, the System issued a \$437,000 loan for water treatment plant improvements. The loan matures November 24, 2054 and requires annual interest and principal payments on November 24 at an interest rate of 2.75%. The outstanding balances as of December 31, 2023 and 2022 were \$386,318 and \$394,161, respectively.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 10. Long-term Debt** *(Continued)*

**USDA Rural Development 91-26 2018 Loan**

On March 28, 2018, the System issued a \$1,422,000 loan for the implementation of an Automated Meter Reading (AMR) and leak detection system. The loan matures March 28, 2058 and requires annual interest and principal payments on March 28 at an interest rate of 2.75%. The outstanding balances as of December 31, 2023 and 2022 were \$1,298,860 and \$1,321,586, respectively.

**Kentucky Rural Water Finance Corporation Series 2012G – Refunding Loan**

On December 11, 2012, the System received a \$3,045,000 loan to refund a prior USDA – Rural Development loan. The loan matures February 1, 2034 and requires principal payments on February 1 and semi-annual interest payments at interest rates ranging from 2.8% to 4%. The loan is collateralized with service revenue. The outstanding balances as of December 31, 2023 and 2022 were \$1,600,000 and \$1,755,000, respectively.

**Kentucky Rural Water Finance Corporation Series 2021B – Refunding Loan**

On July 21, 2021, the System received an \$855,000 loan to refund prior USDA – Rural Development loans. The loan matures July 1, 2036 and requires principal payments on July 1 and semi-annual interest payments at interest rates ranging from 2.2% to 3.2%. The outstanding balances as of December 31, 2023 and 2022 were \$760,000 and \$810,000, respectively.

**Note 11. Construction Commitments**

The System received two grants for system improvements from the Commonwealth of Kentucky through Kentucky's Cleaner Water Program (CWP). Both grant awards are provided through the American Rescue Plan Act of 2021. The first grant was awarded through the CWP Round 1 in the amount of \$350,962 for the BCWS – Small Diameter Water Line Replacement, Phase 2 project. This project is currently in design and is anticipated to begin in late 2024.

A second grant award was received through the CWP Round 2 in the amount of \$557,592 to allow for the upgrade of the System's system-wide Supervisory Control and Data Acquisition system. The system consists of remote terminal units which provide telemetry, control, and alarming for 31 pump stations, water storage tanks, and metering sites. Total costs incurred through December 31, 2023 are \$456,015.

**Note 12. Rebates Payable**

These amounts are partially made up of private developers' unrecovered costs in installing water lines. Property, Plant, and Equipment was increased for a like amount when the facilities were donated to the System. As meters are placed in the development, the developer receives up to half of the new customers' contribution for meters connected directly to the extension over the next 10 years or up to the value of facilities constructed. The remaining balance in this account was obtained from subscriptions of prospective users of the System. When a meter is installed, the subscribed amount is transferred to Contributions in Aid of Construction.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 13. Property, Plant, and Equipment**

Property, plant, and equipment as of December 31, 2023 consist of the following:

|                                      | <u>Beginning<br/>Balance</u> |    | <u>Increase</u> |    | <u>Decrease</u> |    | <u>Ending<br/>Balance</u> |
|--------------------------------------|------------------------------|----|-----------------|----|-----------------|----|---------------------------|
| Assets not being depreciated:        |                              |    |                 |    |                 |    |                           |
| Land and land rights                 | \$ 101,521                   | \$ |                 | \$ |                 | \$ | 101,521                   |
| Construction in progress             | 256,788                      |    | 963,381         |    | 377,719         |    | 842,450                   |
| Assets being depreciated:            |                              |    |                 |    |                 |    |                           |
| Utility plant in service             | <u>32,979,863</u>            |    | <u>354,161</u>  |    | <u>338,581</u>  |    | <u>32,995,443</u>         |
| Total property, plant, and equipment | \$ 33,338,172                | \$ | 1,317,542       | \$ | 716,300         | \$ | 33,939,414                |
| Less: Accumulated depreciation       | <u>14,510,778</u>            |    | <u>994,053</u>  |    | <u>338,581</u>  |    | <u>15,166,250</u>         |
| Property, plant, and equipment, net  | \$ <u>18,827,394</u>         | \$ | <u>323,489</u>  | \$ | <u>377,719</u>  | \$ | <u>18,773,164</u>         |

Property, plant, and equipment as of December 31, 2022 consist of the following:

|                                      | <u>Beginning<br/>Balance</u> |    | <u>Increase</u>  |    | <u>Decrease</u> |    | <u>Ending<br/>Balance</u> |
|--------------------------------------|------------------------------|----|------------------|----|-----------------|----|---------------------------|
| Assets not being depreciated:        |                              |    |                  |    |                 |    |                           |
| Land and land rights                 | \$ 101,521                   | \$ |                  | \$ |                 | \$ | 101,521                   |
| Construction in progress             | 250,804                      |    | 329,853          |    | 323,869         |    | 256,788                   |
| Assets being depreciated:            |                              |    |                  |    |                 |    |                           |
| Utility plant in service             | <u>32,686,453</u>            |    | <u>310,238</u>   |    | <u>16,828</u>   |    | <u>32,979,863</u>         |
| Total property, plant, and equipment | \$ 33,038,778                | \$ | 640,091          | \$ | 340,697         | \$ | 33,338,172                |
| Less: Accumulated depreciation       | <u>13,062,535</u>            |    | <u>1,459,231</u> |    | <u>10,988</u>   |    | <u>14,510,778</u>         |
| Property, plant, and equipment, net  | \$ <u>19,976,243</u>         | \$ | <u>(819,140)</u> | \$ | <u>329,709</u>  | \$ | <u>18,827,394</u>         |

**Note 14. Changes to Useful Lives of Capital Assets**

On September 30, 2023, the System made an adjustment to the depreciable lives of their property, plant, and equipment in order to comply with the National Association of Regulatory Utility Commissioner's guidelines. This change in depreciable lives was applied on a prospective basis and resulted in no change to the beginning net assets of the System. The change in depreciable lives resulted in an increase in depreciation expense for the year ended December 31, 2023 of \$75,655.

**Note 15. Subsequent Events**

The System has evaluated and considered the need to recognize or disclose subsequent events through March 29, 2024, the date which the financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2023, have not been evaluated by the System. On March 13, 2024, the System filed an Alternative Rate Adjustment with the Kentucky Public Service Commission (PSC) proposing a 34.5% rate increase to be phased-in over 2 years. The adjustment will result in a rate increase of 17% in year 1 and 17.3% in year 2. The proposed rates become effective upon PSC approval.

# Jones & Associates CPAs, PSC

## Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Board of Directors of  
Butler County Water System, Inc.

### **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Butler County Water System, Inc. (a nonprofit Organization), which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2024.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Butler County Water System, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Butler County Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Butler County Water System, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Butler County Water System, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance

**To the Board of Directors of  
Butler County Water System, Inc.  
Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
(Continued)**

**Report on Compliance and Other Matters (Continued)**

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

March 29, 2024

Supplementary Information



**Butler County Water System, Inc.**  
**Schedule of Budgetary Comparison**  
**For the Year Ended December 31, 2023**

|   | Budgeted Amounts    |                     | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance<br>with<br>Final<br>Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---|---|
|   | Original            | Final               |   |   |
| <b>Revenues</b>   |                     |                     |   |   |
| Metered water revenue   | \$ 2,282,400        | \$ 2,282,400        | \$ 2,162,477                              | \$ (119,923)  |
| Forfeited discounts   | 32,300              | 32,300              | 33,786                                    | 1,486   |
| Miscellaneous service revenue   | 30,500              | 30,500              | 29,139                                    | (1,361)   |
| <b>Total revenues</b>   | <b>\$ 2,345,200</b> | <b>\$ 2,345,200</b> | <b>\$ 2,225,402</b>                       | <b>\$ (119,798)</b>   |
| <b>Expenses</b>   |                     |                     |   |   |
| Salaries and wages  | \$ 469,700          | \$ 469,700          | \$ 442,638                                | \$ 27,062   |
| Commissioner fees   | 18,000              | 18,000              | 18,000                                    |   |
| Employee overhead   | 284,000             | 284,000             | 253,102                                   | 30,898  |
| Purchased power   | 171,500             | 171,500             | 140,086                                   | 31,414  |
| Chemicals   | 87,100              | 87,100              | 93,091                                    | (5,991)   |
| Materials and supplies  | 89,500              | 89,500              | 114,925                                   | (25,425)  |
| Contractual services - Accounting                                     | 10,600              | 10,600              | 10,286                                    | 314   |
| Contractual services - Legal  | 5,000               | 5,000               | 690                                       | 4,310   |
| Contractual services - Other  | 216,400             | 216,400             | 259,525                                   | (43,125)  |
| Rental of building and property                                       | 16,800              | 16,800              | 16,033                                    | 767   |
| Equipment   | 106,000             | 106,000             | 89,354                                    | 16,646  |
| Insurance - Liability and property                                    | 22,700              | 22,700              | 24,920                                    | (2,220)   |
| Insurance - Treasury bond   | 1,200               | 1,200               | 1,202                                     | (2)   |
| Bad debts   | 4,000               | 4,000               | 3,047                                     | 953   |
| Miscellaneous   | 5,100               | 5,100               | 5,337                                     | (237)   |
| Depreciation  | 877,800             | 877,800             | 994,053                                   | (116,253)   |
| Amortization  | 8,100               | 8,100               | 3,804                                     | 4,296   |
| OPEB  | 7,500               | 7,500               | 4,514                                     | 2,986   |
| <b>Total expenses</b>   | <b>\$ 2,401,000</b> | <b>\$ 2,401,000</b> | <b>\$ 2,474,607</b>                       | <b>\$ (73,607)</b>  |
| <b>Non-operating revenues (expenses)</b>                              |                     |                     |   |   |
| Interest revenue  | \$ 42,300           | \$ 42,300           | \$ 70,188                                 | \$ 27,888   |
| Miscellaneous income  | 600                 | 600                 | 680                                       | 80  |
| Regulatory commission tax   | (3,500)             | (3,500)             | (2,953)                                   | 547   |
| Interest expense  | (148,500)           | (148,500)           | (135,466)                                 | 13,034  |
| <b>Total non-operating revenues (expenses)</b>                        | <b>\$ (109,100)</b> | <b>\$ (109,100)</b> | <b>\$ (67,551)</b>                        | <b>\$ 41,549</b>  |
| <b>Total operating expenses and non-operating revenues (expenses)</b> | <b>\$ 2,510,100</b> | <b>\$ 2,510,100</b> | <b>\$ 2,542,158</b>                       | <b>\$ (32,058)</b>  |

**Butler County Water System, Inc.**  
**Schedule of Budgetary Comparison**  
**For the Year Ended December 31, 2023**  
*(Continued)*

|  |                      |                      |                      |                     |
|--|----------------------|----------------------|----------------------|---------------------|
| <b>Revenue over (under) expenses<br/>before contributions in aid<br/>of construction</b> | \$ (164,900)         | \$ (164,900)         | \$ (316,756)         | \$ (151,856)        |
| <b>Contributions in aid of construction</b>  | <u>934,700</u>       | <u>934,700</u>       | <u>494,087</u>       | <u>(440,613)</u>    |
| <b>Change in net assets</b>  | \$ 769,800           | \$ 769,800           | \$ 177,331           | \$ (592,469)        |
| <b>Net assets - Beginning of year</b>  | <u>17,472,830</u>    | <u>17,472,830</u>    | <u>17,246,977</u>    | <u>(225,853)</u>    |
| <b>Net assets - End of year</b>  | <u>\$ 18,242,630</u> | <u>\$ 18,242,630</u> | <u>\$ 17,424,308</u> | <u>\$ (818,322)</u> |