

**Butler County Water System, Inc.**  
**Audited Financial Statements and**  
**Supplementary Information**  
**December 31, 2024 and 2023**

**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, 2024.

- The System's assets totaled \$21,556,609 and decreased by \$469,141 or 2.13% from the prior year reflecting a decrease in utility plant, net of depreciation. Liabilities totaled \$4,339,547 and decreased by \$261,895 or 5.7% reflecting reduction in long-term debt.
- Metered sales totaled \$2,233,950 and increased by \$71,473 from the prior year, a 3.3% increase. Residential sales increased by \$70,311 and commercial, agricultural, fire protection and other sales increased by a total of \$1,162. The increase in revenue resulted from a retail rate increase of 15.9% implemented on November 1, 2024.
- Total revenues for the year totaled \$2,290,830 and increased by \$65,428 from the prior year, a 2.9% increase. Total expenses were \$2,721,631 for the year and increased by \$247,024 from last year, a 10% increase. The increase in expenses reflects new positions, system repairs, and regulatory compliance costs incurred throughout the year.
- A loss before Contributions in Aid of Construction totaled \$461,212 compared to the prior year's loss of \$316,756. The loss reflects a shortfall in revenues and increases in 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 were 337.4 million gallons compared to 338.5 million gallons produced in the prior year, a decrease of 1.1 million gallons. The maximum volume of water pumped in a single day was 1.5 million gallons on January 22<sup>nd</sup> and the peak month for customer demand was July with 30.8 million gallons produced.
- The average monthly usage and revenue per residential customer was 4,050 gallons and \$34.56, respectively, compared to 4,046 gallons and \$32.88 in the prior year. The average monthly usage and revenue per commercial customer was 8,218 gallons and \$61.41, respectively, compared to 9,117 gallons and \$64.15 in the prior year.
- The number of customers totaled 5,069, consisting of 4,694 residential customers and 375 commercial and other classes of customers with 40 new meter applications received throughout the year. The System has a total of 519 miles of distribution main serving an average of 9.8 customers per mile.
- On November 1, 2024, the Kentucky Public Service Commission approved a retail rate adjustment over two years consisting of an increase of 15.9% in November 2024 and an increase of 14.1% in November 2025.

# 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, 2024 and 2023, 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, 2024 and 2023, 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 26, 2025, 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 26, 2025

## Financial Statements

**Butler County Water System, Inc.**  
**Statement of Financial Position**  
**December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,926,320	\$ 1,828,202
Customer accounts receivable, net	78,003	61,307
Unbilled receivable	217,234	170,340
Accounts receivable - Other	5,828	4,972
Prepaid assets	25,175	20,462
Other current assets	210,591	491,491
Total current assets	\$ 2,463,151	\$ 2,576,774
Other assets		
Property, plant, and equipment, net	\$ 17,353,364	\$ 17,930,714
Restricted cash and cash equivalents	688,975	675,812
Construction in progress	1,051,119	842,450
Total other assets	\$ 19,093,458	\$ 19,448,976
<b>Total assets</b>	<b>\$ 21,556,609</b>	<b>\$ 22,025,750</b>
<b>Liabilities and net assets</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 164,460	\$ 173,143
Accounts payable - WCWD	1,726	11,341
Customer deposits	187,296	186,108
Bonds and notes payable	252,273	246,410
Interest payable	59,722	63,632
Other current liabilities	7,831	7,355
Total current liabilities	\$ 673,308	\$ 687,989
Noncurrent liabilities		
Bonds and notes payable, net	\$ 3,532,973	\$ 3,781,825
Other postemployment benefits	131,326	129,688
Rebates payable	1,940	1,940
Total noncurrent liabilities	\$ 3,666,239	\$ 3,913,453
Total liabilities	\$ 4,339,547	\$ 4,601,442
Net assets		
Without donor restriction	\$ 17,217,062	\$ 17,424,308
Total net assets	\$ 17,217,062	\$ 17,424,308
<b>Total liabilities and net assets</b>	<b>\$ 21,556,609</b>	<b>\$ 22,025,750</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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Revenues, gains, and other support</b>		
Residential metered sales	\$ 1,949,382	\$ 1,879,071
Commercial metered sales	260,533	249,798
Industrial metered sales	24,035	33,608
Forfeited discounts	31,626	33,786
Miscellaneous service revenue	<u>25,254</u>	<u>29,139</u>
<b>Total revenues, gains, and other support</b>	<b>\$ 2,290,830</b>	<b>\$ 2,225,402</b>
<b>Expenses and losses</b>		
Expenses		
Pumping		
Salaries and benefits	\$	\$ 947
Insurance	3,642	2,990
Professional services	833	857
Miscellaneous	<u>1,148</u>	<u>1,283</u>
Total pumping	<b>\$ 5,623</b>	<b>\$ 6,077</b>
Water treatment		
Salaries and benefits	\$ 149,608	\$ 131,211
Purchased power	87,038	84,075
Insurance	7,284	5,981
Chemicals	100,843	93,091
Material and supplies (Restated)	10,416	7,713
Contractual services (Restated)	15,791	23,991
Professional services (Restated)	1,666	1,714
Miscellaneous	<u>8,202</u>	<u>6,774</u>
Total water treatment	<b>\$ 380,848</b>	<b>\$ 354,550</b>
General distribution		
Salaries and benefits	\$ 161,503	\$ 158,221
Purchased power	59,150	56,011
Insurance	15,782	12,959
Material and supplies	10,294	12,466
Contractual services	25,973	31,792
Professional services	834	858
Miscellaneous	<u>35,421</u>	<u>37,350</u>
Total general distribution	<b>\$ 308,957</b>	<b>\$ 309,657</b>
Customer accounts		
Salaries and benefits	\$ 209,395	\$ 174,514
Insurance	1,821	1,495
Material and supplies	6,412	4,011

**Butler County Water System, Inc.**  
**Statement of Activities**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

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

Expenses *(Continued)*

Customer accounts *(Continued)*

Contractual services	\$ 59,285	\$ 55,694
Professional services	2,500	2,635
Miscellaneous	<u>33,711</u>	<u>32,761</u>

Total customer accounts	\$ <u>313,124</u>	\$ <u>271,110</u>
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Maintenance

Salaries and benefits	\$ 180,849	\$ 145,140
Materials and supplies (Restated)	102,538	85,234
Contractual services (Restated)	129,027	86,387
Professional services (Restated)	1,667	1,715
Miscellaneous	<u>48,570</u>	<u>31,368</u>

Total maintenance	\$ <u>462,651</u>	\$ <u>349,844</u>
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Administrative and general

Salaries and benefits	\$ 125,475	\$ 85,707
Insurance	3,006	2,697
Material and supplies	8,233	5,501
Contractual services	68,167	61,661
Professional services	5,558	3,197
Other postemployment benefits	983	4,514
Miscellaneous	<u>26,296</u>	<u>22,235</u>

Total administrative and general	\$ <u>237,718</u>	\$ <u>185,512</u>
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Depreciation	\$ <u>1,009,289</u>	\$ <u>994,053</u>
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Amortization	\$ <u>3,421</u>	\$ <u>3,804</u>
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Total expenses	\$ <u>2,721,631</u>	\$ <u>2,474,607</u>
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<b>Total expenses and losses</b>	\$ <u>2,721,631</u>	\$ <u>2,474,607</u>
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**Non-operating revenues (expenses)**

Interest revenue	\$ 102,393	\$ 70,188
Other income	683	680
Regulatory commission tax	(3,458)	(2,953)
Interest expense	<u>(130,029)</u>	<u>(135,466)</u>

<b>Total non-operating revenues (expenses)</b>	\$ <u>(30,411)</u>	\$ <u>(67,551)</u>
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**Butler County Water System, Inc.**  
**Statement of Activities**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

<b>Change in net assets before contributions in aid of construction</b>	\$ (461,212)	\$ (316,756)
<b>Contributions in aid of construction</b>	<u>253,966</u>	<u>494,087</u>
<b>Change in net assets</b>	\$ (207,246)	\$ 177,331
<b>Net assets - Beginning of year</b>	<u>17,424,308</u>	<u>17,246,977</u>
<b>Net assets - End of year</b>	<u><u>\$ 17,217,062</u></u>	<u><u>\$ 17,424,308</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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (207,246)	\$ 177,331
Adjustments to reconcile change in net assets to net cash		
(Increase) decrease in		
Customer accounts receivable, net	(16,696)	7,730
Unbilled receivable	(46,894)	20,672
Accounts receivable - Other	(856)	1,828
Prepaid assets	(4,713)	(2,002)
Other current assets	280,900	(429,959)
Increase (decrease) in		
Accounts payable	(8,683)	31,237
Accounts payable - WCWD	(9,615)	(11,396)
Customer deposits	1,188	3,084
Interest payable	(3,910)	(3,747)
Other current liabilities	476	942
Other postemployment benefits	983	4,514
Depreciation	1,009,289	994,053
Amortization	3,421	3,804
<b>Net cash provided (used) by operating activities</b>	<u>\$ 997,644</u>	<u>\$ 798,091</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	\$ (639,953)	\$ (936,813)
<b>Net cash provided (used) by investing activities</b>	<u>\$ (639,953)</u>	<u>\$ (936,813)</u>
<b>Cash flows from financing activities</b>		
Repayment of debt	\$ (246,410)	\$ (235,569)
<b>Net cash provided (used) by financing activities</b>	<u>\$ (246,410)</u>	<u>\$ (235,569)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 111,281</u>	<u>\$ (374,291)</u>
<b>Cash and cash equivalents - Beginning of year</b>	<u>2,504,014</u>	<u>2,878,305</u>
<b>Cash and cash equivalents - End of year</b>	<u><u>\$ 2,615,295</u></u>	<u><u>\$ 2,504,014</u></u>
<b>Cash and cash equivalents reported in the Statement of Financial Position</b>		
Cash and cash equivalents	\$ 1,926,320	\$ 1,828,202
Restricted cash and cash equivalents	<u>688,975</u>	<u>675,812</u>
<b>Total cash and cash equivalents reported in the Statement of Financial Position</b>	<u><u>\$ 2,615,295</u></u>	<u><u>\$ 2,504,014</u></u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 128,122</u>	<u>\$ 136,863</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, 2024 and 2023**

**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, 2024 and 2023**  
*(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 \$78,003 and \$61,307 for December 31, 2024 and 2023, 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, 2024, 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, 2024 and 2023**  
*(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 2021.

**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, 2024 and 2023**  
*(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>2024</u></b>	<b><u>2023</u></b>
Sinking funds	\$ 311,069	\$ 299,094
Depreciation funds	177,762	177,762
Customer deposits fund	187,296	186,108
Construction funds	<u>12,848</u>	<u>12,848</u>
Total restricted cash	\$ <u>688,975</u>	\$ <u>675,812</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 \$4,308,674 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 \$0.08 per 1,000 gallons and \$0.10 per 1,000 gallons withdrawn for the years ended December 31, 2024 and 2023, respectively, and the System has incurred cumulative costs totaling \$28,891 and \$35,133, respectively, for its participation in the Commission as of December 31, 2024 and 2023.

**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 \$4,759 and \$4,122, respectively, in accounts receivable from related parties and \$1,705 and \$11,341, respectively, in accounts payable to related parties at December 31, 2024 and 2023. During 2024 and 2023, expenses from Warren amounted to \$1,615,682 and \$1,842,812, respectively, for the following:



**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

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

	<u><b>2024</b></u>	<u><b>2023</b></u>
Wages and benefits		
Operation	\$ 603,443	\$ 536,477
Administrative		
Supervision and administration	157,721	143,792
Accounting	53,498	48,203
Customer service	96,771	110,524
Operations	8,305	
Engineering	3,166	12,827
Operations – Other	404,749	341,277
Additions to plant	284,496	645,300
Special projects	3,533	4,412
Total	\$ <u>1,615,682</u>	\$ <u>1,842,812</u>

In addition to the above expenses, the System also recognized other post-employment benefits (OPEB) expenses of \$983 and \$4,514, respectively, in 2024 and 2023. 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 \$131,326 and \$129,688, respectively, at December 31, 2024 and 2023.

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. 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.

**Note 8. 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:

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 8. Liquidity and Availability of Financial Assets** *(Continued)*

	<b><u>2024</u></b>	<b><u>2023</u></b>
Financial assets, at year-end	\$ 2,916,360	\$ 2,740,633
Less those unavailable for general expenditures within 1 year, due to donor-imposed restrictions		
Restricted for bond payments	488,831	476,856
Restricted for customer deposits	187,296	186,108
Restricted for federally funded projects	<u>12,848</u>	<u>12,848</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 2,227,385</u>	<u>\$ 2,064,821</u>

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

**Note 9. Long-term Debt**

The following reflects the long-term debt activity for the year ended December 31, 2024:

	<b><u>Beginning Balance</u></b>		<b><u>Additions</u></b>		<b><u>Reductions</u></b>		<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
USDA-RD 2014	\$ 386,318	\$		\$	8,058	\$	378,260	\$ 8,280
USDA-RD 2018	1,298,860				23,352		1,275,508	23,993
KRWFC 2012G	1,600,000				160,000		1,440,000	165,000
KRWFC 2021B	760,000				55,000		705,000	55,000
<b>Total</b>	<u>\$ 4,045,178</u>	\$		\$	<u>246,410</u>		<u>3,798,768</u>	<u>\$ 252,273</u>

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

	<b><u>Beginning Balance</u></b>		<b><u>Additions</u></b>		<b><u>Reductions</u></b>		<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
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>235,569</u>		<u>4,045,178</u>	<u>\$ 246,410</u>

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 9. Long-term Debt (Continued)**

Principal and interest due at December 31, 2024 follows:

<u><b>Year Ending December 31,</b></u>		<u><b>Interest</b></u>		<u><b>Principal</b></u>
2025	\$	118,999	\$	252,273
2026		109,651		258,161
2027		100,079		269,073
2028		90,222		270,010
2029		80,439		270,973
2030 – 2034		282,623		1,110,257
2035 – 2039		168,337		303,623
2040 – 2044		132,651		256,109
2045 – 2049		95,445		293,315
2050 – 2054		52,834		335,842
2055 – 2058		10,606		179,132
Total	\$	<u>1,241,886</u>	\$	<u>3,798,768</u>

Principal and interest due at December 31, 2023 follows:

<u><b>Year Ending December 31,</b></u>		<u><b>Interest</b></u>		<u><b>Principal</b></u>
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>

**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, 2024 and 2023 were \$378,260 and \$386,318, respectively.

**Butler County Water System, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(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, 2024 and 2023 were \$1,275,508 and \$1,298,860, respectively.

**Rural Water Finance Agency 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, 2024 and 2023 were \$1,440,000 and \$1,600,000, respectively.

**Rural Water Finance Agency 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, 2024 and 2023 were \$705,000 and \$760,000, respectively.

**Note 10. 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 anticipated to begin in the second quarter of 2025.

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, 2024 are \$618,512.

**Note 11. 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, 2024 and 2023**  
*(Continued)*

**Note 12. Property, Plant, and Equipment**

Property, plant, and equipment as of December 31, 2024 consist of the following:

	<b><u>Beginning Balance</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Ending Balance</u></b>
Assets not being depreciated:				
Land and land rights	\$ 101,521	\$	\$	\$ 101,521
Construction in progress	842,450	640,608	431,939	1,051,119
Assets being depreciated:				
Utility plant in service	<u>32,995,443</u>	<u>431,939</u>	<u>14,958</u>	<u>33,412,424</u>
Total property, plant, and equipment	\$ 33,939,414	\$ 1,072,547	\$ 446,897	\$ 34,565,064
Less: Accumulated depreciation	<u>15,166,250</u>	<u>1,009,289</u>	<u>14,958</u>	<u>16,160,581</u>
Property, plant, and equipment, net	<u>\$ 18,773,164</u>	<u>\$ 63,258</u>	<u>\$ 431,939</u>	<u>\$ 18,404,483</u>

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

	<b><u>Beginning Balance</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Ending Balance</u></b>
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>

**Note 13. Subsequent Events**

The System has evaluated and considered the need to recognize or disclose subsequent events through March 26, 2025, 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, 2024, 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). On November 1, 2024, the PSC approved a retail rate adjustment over two years consisting of an increase of 15.9% on November 1, 2024, and an increase of 14.1% on November 1, 2025.

# 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, 2024, 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 26, 2025.

#### **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 26, 2025

Supplementary Information



**Butler County Water System, Inc.**  
**Schedule of Budgetary Comparison**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with</b>
			<b>(Budgetary</b>	<b>Final</b>
			<b>Basis)</b>	<b>Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Metered water revenue	\$ 2,285,700	\$ 2,285,700	\$ 2,233,950	\$ (51,750)
Forfeited discounts	35,200	35,200	31,626	(3,574)
Miscellaneous service revenue	29,000	29,000	25,254	(3,746)
<b>Total revenues</b>	<b>\$ 2,349,900</b>	<b>\$ 2,349,900</b>	<b>\$ 2,290,830</b>	<b>\$ (59,070)</b>
<b>Expenses</b>				
Salaries and wages	\$ 501,700	\$ 501,700	\$ 526,378	\$ (24,678)
Commissioner fees	18,000	18,000	18,000	
Employee overhead	282,400	282,400	300,451	(18,051)
Purchased power	147,900	147,900	146,187	1,713
Chemicals	101,600	101,600	100,843	757
Materials and supplies	96,500	96,500	137,893	(41,393)
Contractual services - Accounting	16,000	16,000	10,000	6,000
Contractual services - Legal	5,000	5,000	3,058	1,942
Contractual services - Other	269,700	269,700	298,242	(28,542)
Rental of building and property	16,800	16,800	16,068	732
Equipment	102,500	102,500	107,374	(4,874)
Insurance - Liability and property	27,000	27,000	30,350	(3,350)
Insurance - Treasury bond	1,300	1,300	1,185	115
Bad debts	4,500	4,500	2,333	2,167
Miscellaneous	4,900	4,900	9,576	(4,676)
Depreciation	999,800	999,800	1,009,289	(9,489)
Amortization	7,400	7,400	3,421	3,979
OPEB	4,200	4,200	983	3,217
<b>Total expenses</b>	<b>\$ 2,607,200</b>	<b>\$ 2,607,200</b>	<b>\$ 2,721,631</b>	<b>\$ (114,431)</b>
<b>Non-operating revenues (expenses)</b>				
Interest revenue	\$ 71,200	\$ 71,200	\$ 102,393	\$ 31,193
Miscellaneous income	700	700	683	(17)
Regulatory commission tax	(3,000)	(3,000)	(3,458)	(458)
Interest expense	(154,900)	(154,900)	(130,029)	24,871
<b>Total non-operating revenues (expenses)</b>	<b>\$ (86,000)</b>	<b>\$ (86,000)</b>	<b>\$ (30,411)</b>	<b>\$ 55,589</b>
<b>Total operating expenses and non-operating revenues (expenses)</b>	<b>\$ 2,693,200</b>	<b>\$ 2,693,200</b>	<b>\$ 2,752,042</b>	<b>\$ (58,842)</b>

**Butler County Water System, Inc.**  
**Schedule of Budgetary Comparison**  
**For the Year Ended December 31, 2024**  
*(Continued)*

<b>Revenue over (under) expenses before contributions in aid of construction</b>	\$	(343,300)	\$	(343,300)	\$	(461,212)	\$	(117,912)
<b>Contributions in aid of construction</b>		<u>669,400</u>		<u>669,400</u>		<u>253,966</u>		<u>(415,434)</u>
<b>Change in net assets</b>	\$	326,100	\$	326,100	\$	(207,246)	\$	(533,346)
<b>Net assets - Beginning of year</b>		<u>18,242,630</u>		<u>18,242,630</u>		<u>17,424,308</u>		<u>(818,322)</u>
<b>Net assets - End of year</b>	\$	<u><u>18,568,730</u></u>	\$	<u><u>18,568,730</u></u>	\$	<u><u>17,217,062</u></u>	\$	<u><u>(1,351,668)</u></u>