

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

ELECTRONIC APPLICATION OF THE BUTLER)
 COUNTY WATER SYSTEM, INC., TO)
 ISSUE SECURITIES IN THE APPROXIMATE)
 PRINCIPAL AMOUNT OF \$840,000) Case No. 2021 - 00016
 FOR THE PURPOSE OF REFUNDING CERTAIN)
 OUTSTANDING INDEBTEDNESS OF THE)
 ASSOCIATION PURSUANT TO THE PROVISIONS)
 OF KRS 278.300 AND 807 KAR 5:001)

** *** **** ***** **** *** **

APPLICATION

The Applicant, Butler County Water System, Inc. (the "Association"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the Association to issue certain securities in the approximate principal sum \$840,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

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

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

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

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

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

4. A general description of the Association's water system property, together with a statement of the original cost, is contained in the Association's Annual Report for 2019 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement in the estimated principal amount of \$840,000 (subject to adjustment of up to 10%) (the "KRWFC Loan"), for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Butler County Water System, Inc. Promissory Note, dated August 8, 1996, in the original principal amount of \$950,000, bearing interest at the rate of 4.50% per annum (the "1996 Note"), currently held by the United States Department of Agriculture, acting through Rural Development ("RD"); and (ii) Butler County Water System, Inc. Promissory Note, dated July 7, 1998, in the original principal amount of

\$545,000, bearing interest at the rate of 4.75% per annum (the "1997A Note"), currently held by RD (hereinafter, the 1996 Note and the 1997A Note shall be collectively referred to as the "Prior Loans").

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

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

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

9. It is anticipated that the proposed refinancing will generate a net present value cashflow savings of approximately \$165,434.86. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

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

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

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

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

14. The detailed Statement of Operations, Balance Sheets and Statement of Cash Flows for the twelve month period ending on December 31, 2019 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

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

- (i) Section 12(1)(b): The Association states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes to the Association's financial condition have occurred since the end of the twelve (12) month period contained in the Association's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The Association does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The Association's mortgages have previously been filed in **Case No. 2012-00474** and are incorporated herein by reference.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the Association is contained in the 2019 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The Association has no outstanding stock and therefore pays no dividends.
- (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.

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

- (i) Section 18(1)(a): The Association has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the Association's property, its field of operation and a statement of original cost of said property and the cost to the Association is contained in the Association's 2019 Annual Report on file with this Commission.
- (iii) Section 18(1)(c): The Association is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the Association's water system.

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

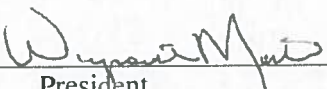
18. No rate adjustment is being requested in connection with this Application.

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

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

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

Butler County Water System, Inc.

By 

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

Rubin & Hays

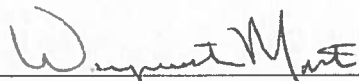
By 

W. Randal Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
wrjones@rubinhays.com
Counsel for Applicant

STATE OF KENTUCKY)
) SS
COUNTY OF BUTLER)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this January 14, 2021.



Weymouth Martin, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Weymouth Martin, President of the Butler County Water System, Inc., on this January 14, 2021.

My Commission expires: 2/14/24.



NOTARY PUBLIC



KYNP1988
NOTARY PUBLIC ID Number

EXHIBIT A

Estimated Debt Service Schedule

Preliminary

\$840,000

Butler County Water System
Kentucky Rural Water Finance Corporation
Potential Taxable Refunding

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/18/2021	-	-	-	-	-
02/01/2022	35,000.00	3.250%	24,986.60	59,986.60	-
08/01/2022	-	-	12,543.75	12,543.75	-
12/31/2022	-	-	-	-	72,530.35
02/01/2023	50,000.00	3.250%	12,543.75	62,543.75	-
08/01/2023	-	-	11,731.25	11,731.25	-
12/31/2023	-	-	-	-	74,275.00
02/01/2024	50,000.00	3.250%	11,731.25	61,731.25	-
08/01/2024	-	-	10,918.75	10,918.75	-
12/31/2024	-	-	-	-	72,650.00
02/01/2025	55,000.00	3.250%	10,918.75	65,918.75	-
08/01/2025	-	-	10,025.00	10,025.00	-
12/31/2025	-	-	-	-	75,943.75
02/01/2026	55,000.00	3.250%	10,025.00	65,025.00	-
08/01/2026	-	-	9,131.25	9,131.25	-
12/31/2026	-	-	-	-	74,156.25
02/01/2027	60,000.00	3.250%	9,131.25	69,131.25	-
08/01/2027	-	-	8,156.25	8,156.25	-
12/31/2027	-	-	-	-	77,287.50
02/01/2028	60,000.00	3.250%	8,156.25	68,156.25	-
08/01/2028	-	-	7,181.25	7,181.25	-
12/31/2028	-	-	-	-	75,337.50
02/01/2029	60,000.00	3.250%	7,181.25	67,181.25	-
08/01/2029	-	-	6,206.25	6,206.25	-
12/31/2029	-	-	-	-	73,387.50
02/01/2030	65,000.00	3.250%	6,206.25	71,206.25	-
08/01/2030	-	-	5,150.00	5,150.00	-
12/31/2030	-	-	-	-	76,356.25
02/01/2031	65,000.00	3.250%	5,150.00	70,150.00	-
08/01/2031	-	-	4,093.75	4,093.75	-
12/31/2031	-	-	-	-	74,243.75
02/01/2032	70,000.00	3.250%	4,093.75	74,093.75	-
08/01/2032	-	-	2,956.25	2,956.25	-
12/31/2032	-	-	-	-	77,050.00
02/01/2033	70,000.00	2.750%	2,956.25	72,956.25	-
08/01/2033	-	-	1,993.75	1,993.75	-
12/31/2033	-	-	-	-	74,950.00
02/01/2034	65,000.00	2.750%	1,993.75	66,993.75	-
08/01/2034	-	-	1,100.00	1,100.00	-
12/31/2034	-	-	-	-	68,093.75
02/01/2035	40,000.00	2.750%	1,100.00	41,100.00	-
08/01/2035	-	-	550.00	550.00	-
12/31/2035	-	-	-	-	41,650.00
02/01/2036	40,000.00	2.750%	550.00	40,550.00	-
12/31/2036	-	-	-	-	40,550.00
Total	\$840,000.00	-	\$208,461.60	\$1,048,461.60	-

Yield Statistics

Bond Year Dollars	\$6,850.33
Average Life	8.155 Years
Average Coupon	3.0430870%
Net Interest Cost (NIC)	2.3380037%
True Interest Cost (TIC)	2.2561540%
Bond Yield for Arbitrage Purposes	2.5751748%

All Inclusive Cost (AIC)	2.6175055%
--------------------------	------------

IRS Form 8038

Net Interest Cost	2.0000330%
-------------------	------------

Weighted Average Maturity	8.054 Years
---------------------------	-------------

KRWFC Taxable Refunding | Butler Co Water System | 12/29/2020 | 3:31 PM

Raymond James

EXHIBIT B

Total Sources and Uses

Preliminary

\$840,000

Butler County Water System
Kentucky Rural Water Finance Corporation
Potential Taxable Refunding

Sources & Uses

Dated 02/18/2021 | Delivered 02/18/2021

Sources Of Funds

Par Amount of Bonds	\$840,000.00
Reoffering Premium	63,000.55
Transfers from Prior Issue Debt Service Funds	43,957.50

Total Sources **\$946,958.05**

Uses Of Funds

Total Underwriter's Discount (1.750%)	14,700.00
Costs of Issuance	16,940.00
Deposit to Current Refunding Fund	912,004.68
Rounding Amount	3,313.37

Total Uses **\$946,958.05**

EXHIBIT C

Debt Service Comparison

Preliminary

\$840,000

Butler County Water System
Kentucky Rural Water Finance Corporation
Potential Taxable Refunding

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/31/2021	-	-	-	82,801.00	82,801.00
12/31/2022	72,530.35	450.00	72,980.35	82,801.00	9,820.65
12/31/2023	74,275.00	450.00	74,725.00	82,801.00	8,076.00
12/31/2024	72,650.00	450.00	73,100.00	82,801.00	9,701.00
12/31/2025	75,943.75	450.00	76,393.75	82,801.00	6,407.25
12/31/2026	74,156.25	450.00	74,606.25	82,801.00	8,194.75
12/31/2027	77,287.50	450.00	77,737.50	82,801.00	5,063.50
12/31/2028	75,337.50	450.00	75,787.50	82,801.00	7,013.50
12/31/2029	73,387.50	450.00	73,837.50	82,801.00	8,963.50
12/31/2030	76,356.25	450.00	76,806.25	82,801.00	5,994.75
12/31/2031	74,243.75	450.00	74,693.75	82,801.00	8,107.25
12/31/2032	77,050.00	450.00	77,500.00	82,801.00	5,301.00
12/31/2033	74,950.00	450.00	75,400.00	82,801.00	7,401.00
12/31/2034	68,093.75	450.00	68,543.75	75,528.02	6,984.27
12/31/2035	41,650.00	450.00	42,100.00	52,116.99	10,016.99
12/31/2036	40,550.00	450.00	41,000.00	48,898.27	7,898.27
TOTAL	\$1,048,461.60	\$6,750.00	\$1,055,211.60	\$1,252,956.28	\$197,744.68

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	170,958.47
Effects of changes in Expenses	(5,523.61)
Net PV Cashflow Savings @ 2.618%(AIC)	165,434.86
Transfers from Prior Issue Debt Service Fund	(43,957.50)
Contingency or Rounding Amount	3,313.37
Net Benefit	157,100.55
Net Present Value Benefit	\$124,790.73
Net PV Benefit / \$888,737 Refunded Principal	14.041%
Net PV Benefit / \$840,000 Refunding Principal	14.856%

Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

EXHIBIT D

Prior Bonds Debt Service

Preliminary

\$902,248

Butler County Water System

Loan closed 8/8/96

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	583,891.61	14,378.33	598,269.94	-	-	-	-
08/01/2021	-	-	-	25,841.88	4.500%	26,275.12	52,117.00
08/01/2022	-	-	-	27,004.76	4.500%	25,112.24	52,117.00
08/01/2023	-	-	-	28,219.98	4.500%	23,897.02	52,117.00
08/01/2024	-	-	-	29,489.88	4.500%	22,627.12	52,117.00
08/01/2025	-	-	-	30,816.92	4.500%	21,300.08	52,117.00
08/01/2026	-	-	-	32,203.68	4.500%	19,913.32	52,117.00
08/01/2027	-	-	-	33,652.85	4.500%	18,464.15	52,117.00
08/01/2028	-	-	-	35,167.23	4.500%	16,949.77	52,117.00
08/01/2029	-	-	-	36,749.75	4.500%	15,367.25	52,117.00
08/01/2030	-	-	-	38,403.49	4.500%	13,713.51	52,117.00
08/01/2031	-	-	-	40,131.65	4.500%	11,985.35	52,117.00
08/01/2032	-	-	-	41,937.57	4.500%	10,179.43	52,117.00
08/01/2033	-	-	-	43,824.76	4.500%	8,292.24	52,117.00
08/01/2034	-	-	-	45,796.88	4.500%	6,320.12	52,117.00
08/01/2035	-	-	-	47,857.73	4.500%	4,259.26	52,116.99
08/01/2036	-	-	-	46,792.60	4.500%	2,105.67	48,898.27
Total	\$583,891.61	\$14,378.33	\$598,269.94	\$583,891.61	-	\$246,761.65	\$830,653.26

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	8.844 Years
Average Coupon	4.4999996%
Weighted Average Maturity (Par Basis)	8.844 Years
Weighted Average Maturity (Original Price Basis)	8.844 Years

Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

Preliminary

\$504,632

Butler County Water System

Loan closed 7/7/98

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/18/2021	304,845.53	8,889.21	313,734.74	-	-	-	-
07/07/2021	-	-	-	16,203.84	4.750%	14,480.16	30,684.00
07/07/2022	-	-	-	16,973.52	4.750%	13,710.48	30,684.00
07/07/2023	-	-	-	17,779.76	4.750%	12,904.24	30,684.00
07/07/2024	-	-	-	18,624.30	4.750%	12,059.70	30,684.00
07/07/2025	-	-	-	19,508.95	4.750%	11,175.05	30,684.00
07/07/2026	-	-	-	20,435.63	4.750%	10,248.37	30,684.00
07/07/2027	-	-	-	21,406.32	4.750%	9,277.68	30,684.00
07/07/2028	-	-	-	22,423.12	4.750%	8,260.88	30,684.00
07/07/2029	-	-	-	23,488.22	4.750%	7,195.78	30,684.00
07/07/2030	-	-	-	24,603.91	4.750%	6,080.09	30,684.00
07/07/2031	-	-	-	25,772.60	4.750%	4,911.40	30,684.00
07/07/2032	-	-	-	26,996.80	4.750%	3,687.20	30,684.00
07/07/2033	-	-	-	28,279.14	4.750%	2,404.86	30,684.00
07/07/2034	-	-	-	22,349.42	4.750%	1,061.60	23,411.02
Total	\$304,845.53	\$8,889.21	\$313,734.74	\$304,845.53	-	\$117,457.49	\$422,303.02

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/18/2021
Average Life	7.498 Years
Average Coupon	4.7500004%
Weighted Average Maturity (Par Basis)	7.498 Years
Weighted Average Maturity (Original Price Basis)	7.498 Years

Refunding Bond Information

Refunding Dated Date	2/18/2021
Refunding Delivery Date	2/18/2021

EXHIBIT E

Financial Statements

BUTLER COUNTY WATER SYSTEM, INC.

BALANCE SHEETS
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,813,671	\$ 943,392
Short-term investments	-	500,000
Receivables		
Customer accounts receivable, net of allowance for uncollectibles of \$91,392 and \$91,218	66,709	69,286
Accounts receivable - WCWD	5,647	6,920
Accounts receivable- SCWD	73	-
Interest	-	5,892
Prepaid expenses	<u>17,724</u>	<u>17,846</u>
Total current assets	<u>1,903,824</u>	<u>1,543,336</u>
PROPERTY, PLANT AND EQUIPMENT		
Land and land rights	101,521	101,521
Utility plant in service	31,692,411	29,571,288
Construction in progress	127,341	1,721,571
Less: accumulated depreciation	<u>(11,591,158)</u>	<u>(10,878,879)</u>
Property, plant and equipment, net	<u>20,330,115</u>	<u>20,515,501</u>
OTHER ASSETS		
Restricted cash and cash equivalents	472,389	523,549
Restricted investments	152,849	149,114
Deferred charges	<u>89,300</u>	<u>106,205</u>
Total other assets	<u>714,538</u>	<u>778,868</u>
Total assets	<u>\$ 22,948,477</u>	<u>\$ 22,837,705</u>

See Notes to Financial Statements

	2019	2018
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Current liabilities		
Accounts payable	\$ 54,829	\$ 83,844
Accounts payable - WCWD	85,526	88,372
Accrued interest payable	82,937	70,255
Other current liabilities	5,992	5,808
Current portion of long-term debt	<u>214,092</u>	<u>226,756</u>
Total current liabilities	<u>443,376</u>	<u>475,035</u>
Long-term liabilities		
Rebates payable	11,391	9,450
Customer deposits	160,160	153,415
Loan payable	4,827,559	5,041,577
Other non-current liabilities	<u>168,611</u>	<u>162,490</u>
Total long-term liabilities	<u>5,167,721</u>	<u>5,366,932</u>
Total liabilities	<u>5,611,097</u>	<u>5,841,967</u>
MEMBERS' EQUITY		
Capital investments	14,740,566	14,508,316
Retained earnings	<u>2,596,814</u>	<u>2,487,422</u>
Total members' equity	<u>17,337,380</u>	<u>16,995,738</u>
Total liabilities and members' equity	<u>\$ 22,948,477</u>	<u>\$ 22,837,705</u>

BUTLER COUNTY WATER SYSTEM, INC.

STATEMENTS OF OPERATIONS
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues		
Metered sales		
Residential	\$ 1,849,447	\$ 1,790,411
Commercial	<u>241,594</u>	<u>234,978</u>
Total metered sales	2,091,041	2,025,389
Forfeited discounts	33,238	32,961
Miscellaneous service revenue	<u>31,025</u>	<u>35,567</u>
Total operating revenues	<u>2,155,304</u>	<u>2,093,917</u>
Operating expenses		
Pumping expense		
Purchased power	45,911	44,969
Insurance	2,718	2,752
Miscellaneous	2,974	1,904
Professional services	<u>1,063</u>	<u>750</u>
Total pumping expense	<u>52,666</u>	<u>50,375</u>
Water treatment expense		
Professional services	2,126	1,500
Purchased power	79,558	92,433
Purchased water	-	1,375
Chemicals	79,090	68,823
Materials and supplies	8,266	14,155
Insurance	5,435	5,503
Salaries and benefits	82,063	90,151
Contractual services	1,059	1,720
Miscellaneous	<u>4,077</u>	<u>4,740</u>
Total water treatment expense	<u>261,674</u>	<u>280,400</u>
General distribution expense		
Professional services	1,064	751
Purchased power	4,366	4,347
Salaries and benefits	123,462	98,325
Materials and supplies	41,513	28,176
Insurance	11,776	11,924
Miscellaneous	22,304	18,117
Contractual services	<u>26,318</u>	<u>21,261</u>
Total general distribution expense	<u>230,803</u>	<u>182,901</u>

See Notes to Financial Statements

BUTLER COUNTY WATER SYSTEM, INC.

STATEMENTS OF OPERATIONS (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
Customer accounts expense		
Salaries and benefits	\$ 175,363	\$ 231,387
Contractual services	45,891	52,022
Uncollectible accounts	174	3,947
Materials and supplies	1,846	1,152
Insurance	1,359	1,376
Miscellaneous	25,894	35,494
Professional services	<u>3,190</u>	<u>2,250</u>
Total customer accounts expense	<u>253,717</u>	<u>327,628</u>
Maintenance expense		
Pumping equipment and storage expense	24,719	26,459
Materials and supplies	839	3,640
Salaries and benefits	110,645	110,688
Contractual services	70,215	91,723
Professional services	<u>2,127</u>	<u>1,500</u>
Total maintenance expense	<u>208,545</u>	<u>234,010</u>
Administrative and general expense		
Salaries and benefits	97,731	91,149
Other post-employment benefits	3,795	91,896
Materials and supplies	5,518	4,794
Insurance	2,544	2,560
Miscellaneous	3,023	3,768
Contractual services	36,713	34,740
Professional services	<u>3,215</u>	<u>2,344</u>
Total administrative and general expense	<u>152,539</u>	<u>231,251</u>
Depreciation and amortization expense	<u>722,540</u>	<u>637,620</u>
Total operating expenses	<u>1,882,484</u>	<u>1,944,185</u>
Operating income	<u>272,820</u>	<u>149,732</u>
Non-operating revenues (expenses)		
Non-utility income	-	20
Interest income	20,952	14,575
Interest expense on long-term debt	(176,123)	(149,661)
Interest expense on customer deposits	(4,161)	(2,133)
PSC taxes	<u>(4,096)</u>	<u>(3,896)</u>
Total non-operating revenues (expenses)	<u>(163,428)</u>	<u>(141,095)</u>
Net income	<u>\$ 109,392</u>	<u>\$ 8,637</u>

See Notes to Financial Statements

BUTLER COUNTY WATER SYSTEM, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended December 31, 2019 and 2018

	<u>Retained Earnings</u>	<u>Contributions in Aid of Construction</u>	<u>Total</u>
Balance, December 31, 2017	\$ 2,478,785	\$14,409,037	\$16,887,822
Net income	8,637	—	8,637
Contributions in aid of construction	—	99,279	99,279
Balance, December 31, 2018	2,487,422	14,508,316	16,995,738
Net income	109,392	—	109,392
Contributions in aid of construction	—	232,250	232,250
Balance, December 31, 2019	<u>\$ 2,596,814</u>	<u>\$14,740,566</u>	<u>\$17,337,380</u>

See Notes to Financial Statements

BUTLER COUNTY WATER SYSTEM, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and agencies	\$ 2,159,081	\$ 2,147,999
Payments to suppliers for goods and services	(598,135)	(497,684)
Payments for contractual services	(572,993)	(605,335)
Net cash provided by operating activities	<u>987,953</u>	<u>1,044,980</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest paid on customer deposits	(4,161)	(2,133)
Net cash used in noncapital financial activities	(4,161)	(2,133)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loan proceeds	-	1,422,000
Principal repayment on long-term debt	(226,682)	(193,953)
Contributions in aid of construction	232,250	99,279
Purchases of capital assets	(524,097)	(2,130,818)
Interest paid on long-term debt	(169,253)	(152,060)
Net cash used in capital and related financing activities	(687,782)	(955,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from matured investments	500,000	-
Interest income	26,844	8,683
Purchase of investments	(3,735)	(2,670)
Net cash provided by investing activities	<u>523,109</u>	<u>6,013</u>
Net increase in cash and cash equivalents	819,119	93,308
Cash and cash equivalents, beginning of year	<u>1,466,941</u>	<u>1,373,633</u>
Cash and cash equivalents, end of year	<u>\$ 2,286,060</u>	<u>\$ 1,466,941</u>

See Notes to Financial Statements

BUTLER COUNTY WATER SYSTEM, INC.

STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 272,820	\$ 149,732
Adjustment to reconcile net operating income to net cash provided by operating activities		
Depreciation	717,235	631,976
Amortization	5,305	5,644
Non-utility income	-	20
Payment of PSC taxes	(4,096)	(3,896)
Changes in assets and liabilities		
Net decrease in accounts receivable, net	3,777	54,082
Net (increase) decrease in prepaid expenses	122	(45)
Net decrease in deferred charges	11,601	26,083
Net increase (decrease) in accounts payable	(31,861)	28,142
Net increase (decrease) in other current liabilities	184	(765)
Net increase in customer deposits	6,745	5,781
Net increase in other liabilities	<u>6,121</u>	<u>148,226</u>
Net cash provided by operating activities	<u>\$ 987,953</u>	<u>\$ 1,044,980</u>

See Notes to Financial Statements

EXHIBIT F

Notification to State Local Debt Officer

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT
NICHOLAS J. LOCOCO

January 28, 2021

Honorable Dennis Keene
Commissioner and State Local Debt Officer
100 Airport Road, Third Floor
Frankfort, Kentucky 40601

Re: Butler County Water System, Inc.
Notice of Intent to Issue Securities

Dear Commissioner Keene:

Pursuant to the regulations of the Kentucky Public Service Commission, specifically 807 KAR 5:001: Section 18(1)(g), please be advised that the Butler County Water System, Inc. ("Butler") hereby notifies the State Local Debt Officer that the District intends on issuing securities in the form of a loan from the Kentucky Rural Water Finance Corporation ("KRWFC") for the purpose of refinancing certain outstanding indebtedness of Butler in order to achieve substantial interest cost savings.

We will file the appropriate documents with your office in accordance with the requirements of KRS 65.117 once the securities are issued.

Very truly yours,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures