

Butler Area Sewer Authority

Financial Statements and
Required Supplementary and
Supplementary Information

Years Ended July 31, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

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BUTLER AREA SEWER AUTHORITY

YEARS ENDED JULY 31, 2023 AND 2022

TABLE OF CONTENTS

Independent Auditor's Report

Required Supplementary Information:

Management's Discussion and Analysis	i
--------------------------------------	---

Financial Statements:

Statements of Net Position	1
Statements of Revenues, Expenses, and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4

Required Supplementary Information:

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios	24
Notes to Required Supplementary Information	25

Supplementary Information:

Combining Statements of Net Position:	
- July 31, 2023	26
- July 31, 2022	27
Combining Statements of Revenues, Expenses, and Changes in Net Position:	
- Year Ended July 31, 2023	28
- Year Ended July 31, 2022	29

Independent Auditor's Report

**Butler Area Sewer Authority Board
Butler Area Sewer Authority**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Butler Area Sewer Authority (Authority), as of and for the years ended July 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of July 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 GAAS, 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 the Authority'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 the Authority'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part

of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

In 2022, the Authority approved the sale of its operating assets. The Authority is awaiting regulatory approval and final closing in November 2023 and all operations will be sold to Pennsylvania American Water. The financial statements have not reflected any adjustment or modification in the anticipation of the closing.

Maher Duessel

Pittsburgh, Pennsylvania
October 4, 2023

BUTLER AREA SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report presents the Management's Discussion and Analysis (MD&A) of the Butler Area Sewer Authority's (Authority) financial condition and performance for the fiscal year ending July 31, 2023 in compliance with Statement No. 34 of the Governmental Accounting Standards Board (GASB). This analysis is intended to be read and used in conjunction with the included Financial Statements

FINANCIAL HIGHLIGHTS

The following are key financial highlights during the fiscal year ended July 31, 2023:

- On September 13, 2022, the Authority Board announced that Pennsylvania American Water (PAW) formally presented the Authority with an offer to acquire the wastewater system for \$231.5 million dollars. On February 14, 2023, Pennsylvania American Water filed an application with the Pennsylvania Public Utility Commission (PUC) requesting approval to purchase the Authority. Public Hearings were held on July 18 and 19, 2023. The PUC called for testimony and cross examination of all petitioners on July 28, 2023. The Joint Petition for Approval of Unanimous Settlement of all Issues, Docket A-2022-3037047 was submitted on August 14, 2023 for review to the Administrative Law Judge (ALJ), Judge Guhl, who is overseeing the PUC proceedings. As a result, the Asset Purchase Agreement (APA) and purchase price was revised to \$230 million by approving the First Amendment to the APA. The Authority Board approved the First Amendment to the APA on August 8, 2023. The anticipated closing date is November 15, 2023. Additional and developing information is available at resources4basacustomers.org and a link can also be found on our website at basapa.org.
- The Authority experienced a Net Gain or an increase in Net Position of \$2,798,860 (8.4%) in the fiscal year ended July 31, 2023. The gain was driven by an increase in sewer service fees, and developer contributions.
- Effective July 1, 2022, a rate increase of \$5.00 per month per equivalent dwelling unit (EDU) went into effect which contributed to the net gain for the current year. Effective October 1, 2023, a rate increase of \$2.50 per month per equivalent dwelling unit (EDU) will go into effect. This results in the base quarterly rate for a single EDU increasing from \$129 to \$136.50, or approximately 5.8%.
- The Authority proposed a Corrective Action Plan (CAP) which was approved by the Pennsylvania Department of Environmental Protection (DEP) on March 26, 2019, with subsequent revisions known as "RCAP" and "R2CAP" approved on February 22, 2021 and June 2, 2022, respectively, collectively known as the CAP. The CAP addresses wet weather hydraulic overloading of two pump station systems, the *Fisher Heights, Brewster, and Brewster Booster Pump Station System (FBB)* as well as the *Greenwood, Benbrook, and Bryson Pump Station System (GBB)* within the service area. The design plans and permitting are on schedule. Construction plans and bid documents are 90 percent complete. Construction for FBB and GBB is to be completed by May 2025 and August 2026, respectively, at an estimated cost of \$12 million dollars. The final cost is unknown as this estimate may vary significantly due to inflation and current market conditions.

The type and time of financing, if any, is highly dependent on the outcome of the potential sale of the Authority's assets described in the first bullet point above.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority are compiled using the Enterprise Fund method of accounting because the operations are financed and operated in a manner similar to private sector businesses, where the costs of providing services to the general public on a continuing basis are intended to be financed or recovered through user charges or sewer service fees. The Authority uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the liability is incurred. The financial statements offer short-term and long-term financial information about the Authority's activities.

The Statement of Net Position summarizes the Authority's assets, liabilities, and deferred outflows and inflows of resources and provides information about the nature and amounts of investments in resources or assets and the offsetting obligations or liabilities to Authority creditors. The overall financial condition of the Authority is reflected in this statement.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes the revenues and expenses. This statement measures the success of the Authority's operations over the past fiscal year and can be used to determine whether the Authority has successfully recovered all its costs through its sewage disposal rates and other fees.

The third required financial statement is the Statement of Cash Flows. This statement provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash flows from operating activities, capital, and related financing activities, and investing activities, as well as net changes in cash during the reporting period.

The Notes to Financial Statements (Notes) provide required disclosures and other information essential to a full understanding of material data provided in the statements. The notes present information on the Authority's accounting policies, the basis of accounting, deposits and investments, capital assets, outstanding debt, pensions, other postemployment benefits (OPEBs) and other significant activities, such as material risks, obligations, commitments, contingencies, subsequent events, and future requirements, as applicable to the Authority.

FINANCIAL ANALYSIS

The following comparative condensed financial statements provide a comparison of key financial data and indicators for management for monitoring and planning purposes.

Table 1 presents a condensed summary of the Authority's Statements of Net Position:

Table 1
Condensed Statements of Net Position

	Balance at July 31, 2023	Balance at July 31, 2022	Net Change
Assets:			
Current Assets	\$ 21,818,049	\$ 20,448,696	\$ 1,369,353
Other Assets	57,472,621	58,390,335	(917,714)
Total Assets	79,290,670	78,839,031	451,639
Deferred Outflows of Resources:			
Deferred charge on refunding	768,516	861,645	(93,129)
Total Deferred Outflows of Resources	768,516	861,645	(93,129)
Liabilities and Net Position:			
Current Liabilities	3,877,970	3,570,846	307,124
Non-Current Liabilities	39,440,472	42,001,068	(2,560,596)
Total Liabilities	43,318,442	45,571,914	(2,253,472)
Deferred Outflows of Resources:			
Deferred inflows of resources for OPEB	516,663	703,541	(186,878)
Total Deferred Inflows of Resources	516,663	703,541	(186,878)
Total Net Position	<u>\$ 36,224,081</u>	<u>\$ 33,425,221</u>	<u>\$ 2,798,860</u>

Assets and Deferred Outflows of Resources

The Authority's Current Assets increased by \$1,369,353 (6.7%) during the period. There were net increases to investments in trustee accounts (\$521,505), accounts receivable (\$276,790), and unbilled sewer receivable (\$7,300) as well as an increase to cash and cash equivalents (\$560,758). Finally, an increase in unbilled sewer receivables was due to the increase in sewer rates of \$5 per month per EDU, effective July 1, 2022.

Other Assets decreased by \$917,714 (1.6%). Although the Authority had additions to capital assets during the year, the amount of depreciation for the period of \$3,811,097 far exceeded the capital asset additions and therefore resulted in a decrease in Capital Assets for the period. Additional information can be reviewed in the Capital Improvements section of the MD&A and in the Notes to the Financial Statements.

Overall, total assets increased by \$451,639 (0.6%).

The Deferred Charge on Refunding was established from the 2013 and 2015 Sewer Revenue Bonds, that were issued to advance refund a portion of the 2010 Bond issue. The deferred charge is amortized over the shorter of the life of the new or original bonds. Additional information can be reviewed in the Debt section of the MD&A, as well as in the Notes to Financial Statements.

Liabilities, Deferred Inflows of Resources, and Net Position

The Authority had an increase in Current Liabilities as of July 31, 2023 of \$307,124 (8.6%). This was due primarily to an increase in vouchers payable (\$278,018) offset by a decrease in accrued expenses (\$50,985). Vouchers payable and accrued expenses fluctuate from year to year based on the timing of purchases, the need for materials/supplies, and due to the pricing and quantity of construction projects underway at year-end. Additional information on capital projects can be seen in the Capital Improvements section of the MD&A below. The increase (\$65,000) in current maturities of bonds payable is based on the amortization schedules of each respective bond issue, such payments of principal debt service naturally fluctuate from year to year. Additional information on debt is available in the Debt section of the MD&A and in the Notes to the Financial Statements.

Non-Current Liabilities had a net decrease of \$2,560,596 (6.1%). The Authority continued to make required debt service payments on both bonds and notes over the period. More discussion can be reviewed in the Debt section of the MD&A or the Notes to Financial Statements. In addition, the OPEB liability increased by \$63,501 from the prior period. More discussion can be reviewed in the Postemployment Benefits Other Than Pension Benefits (OPEBs) section of the Notes to Financial Statements.

Overall, Total Liabilities decreased by \$2,253,472 (4.9%).

Table 2 presents a condensed summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position:

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended July 31, 2023	Year Ended July 31, 2022	Net Change
Revenues:			
Sewer Charges	\$ 12,155,105	\$ 10,890,555	\$ 1,264,550
Other Operating Fees and Charges	160,719	260,786	(100,067)
Non-Operating Revenues	723,101	288,162	434,939
Total Revenues	<u>13,038,925</u>	<u>11,439,503</u>	<u>1,599,422</u>
Expenses:			
Operating Expenses, Net of Depreciation	6,709,296	6,250,851	458,445
Depreciation	3,811,097	3,725,042	86,055
Non-Operating Expenses	1,006,751	1,081,722	(74,971)
Total Expenses	<u>11,527,144</u>	<u>11,057,615</u>	<u>469,529</u>
Capital Contributions:			
Tap-In Fees	206,460	295,740	(89,280)
Developer Contribution Revenue	1,080,619	-	1,080,619
Total Capital Contributions	<u>1,287,079</u>	<u>295,740</u>	<u>991,339</u>
Net Income (Loss)	<u>2,798,860</u>	<u>677,628</u>	<u>2,121,232</u>
Net Position:			
Beginning of Year	<u>33,425,221</u>	<u>32,747,593</u>	<u>677,628</u>
End of Year	<u><u>\$ 36,224,081</u></u>	<u><u>\$ 33,425,221</u></u>	<u><u>\$ 2,798,860</u></u>

Revenues

Total Revenues increased from the prior year amount by \$1,599,422 (14.0%). Sewer charges increased during the period by \$1,264,550 (11.6%). Although the large majority of the Authority's customer base is billed on a flat rate, many customers are billed based on the amount of water usage which can vary from period to period. Residential properties are billed on a flat rate, whereas commercial and industrial waste users are billed on consumption. Each EDU that is billed is equivalent to 4,000 gallons of water consumed per month.

Other operating fees and charges decreased by \$100,067 (38.4%). During the year ended July 31, 2022, the Authority placed several surplus assets for sale through an opened public auction process increasing the miscellaneous revenues line item. Such sales were not necessary for the year ended July 31, 2023 and therefore miscellaneous revenues decreased.

Expenses

Total Expenses increased by \$469,529 (4.2%). Operating Expenses, Net of Depreciation increased by \$458,445 (7.3%). During the year ended July 31, 2023 Operating Expenses, Net of Depreciation increased due to the following reasons: (1) legal fees primarily associated with the pending sale of

Authority assets to PAW increased by \$546,761 from the prior year, (2) Miscellaneous professional expenses increased by \$133,871 and public relations expenses increased by \$32,340 over the prior year due to fees associated with the APA such as appraisals and public relation consultants and mailings (3) General engineering costs increased by \$40,208, (4) Employee benefit costs decreased by \$137,941, most of which was attributed to reduced health care costs (\$117,957) as BASA used credits available from the health care plan to pay for these costs (5) salaries and wages for Authority employees reduced by \$63,446 as employees resigned or retired and some were not replaced, (6) Sewer equipment purchases decreased by \$42,572 and (7) normal fluctuations in various operating costs from year to year during the natural course of business.

Depreciation expense increased by \$86,055 (2.3%) during the year ended July 31, 2023. The change in depreciation is minimal in the current year, reflecting capital additions as well as reductions in depreciation expenses for assets that became fully depreciated or removed from service during the period.

Non-Operating Expenses decreased by \$74,971 (6.9%). As no additional debt was obtained and as the Authority continued to pay debt service during the period, less interest expense in the amount of \$63,100 was incurred during the current year. Additional information on debt is available in the Debt section of the MD&A and in the Notes to the Financial Statements.

Capital Contributions

Total Capital Contributions increased by \$991,339 (335.2%). Three developers contributed sewer lines in the amount of \$1,080,619.

Net Income (Loss)

During the fiscal year ended July 31, 2023, the Authority experienced a Net Gain of \$2,798,860, compared to the July 31, 2022 Net Gain of \$677,628.

CAPITAL IMPROVEMENTS

During the fiscal year, the Authority continued its ongoing capital improvement expenditures for rehabilitation and evaluation of the sewer system and upgrades to the wastewater treatment facility.

Capital projects completed and purchases made during the fiscal year included: wastewater treatment plant (WWTP) Sludge Dewatering System (\$515,056), 2 Boilers (\$113,228), Primary Tank Rebuild #3 (\$64,576), Effluent Bypass Chamber (\$31,292), Plant Generator Fuel Tank (\$14,805), Building upgrades (\$69,412), Golf Cart (\$8,789), Emergency Sewer Repairs at Deshon (\$98,708), Butler Memorial Park (\$73,979) and Volkswood (\$19,941), Sewer Linings (\$111,592), Sewer Equipment (\$15,745), 3 Vehicles (\$124,129), Concrete Mixer/Trailer (\$5,000), Snow Plow (\$8,564) and Ranger (\$13,371).

The Authority maintains Construction in Progress projects as of July 31, 2023 that includes the following projects: (1) *Rocklick Pump Station Replacement Project* design and permitting phase, (2) *CAP Project* design phase, (3) *Alameda Park Sewer Upsizing Project* design phase, (4) *Chlorine Tank Improvements*, (5) *SCADA Phase III*, (6) *SCADA Pump Station*, (7) *Hansen/Whitestown Sewer Rehab Project*, (8) *Fairlane Drive Sewer Rehab Project*, (8) *Monro Pump Station Dual Auger Improvements*, and (9) *Truck 53 Upgrade*.

Depreciation expense increased by \$86,055 (2.3%) during the year ended July 31, 2023.

DEBT

In October 2017, the Authority issued new Sewer Revenue Bonds (Series A and B) in the total amount of \$11,320,000. Proceeds from this obligation were used to pay for costs of the bond issuance, purchase a surety policy for deposit to the Debt Service Reserve Fund, and to refund various PennVest loans of the Authority. At the end of the fiscal year, the Authority had outstanding bond debt for Series A of \$6,640,000. Principal and interest payments will vary from year-to-year with the final payment due in 2032. The Series B Bonds matured in 2019 and are paid in full.

In 2020, the Authority issued new Sewer Revenue Bonds in the amount of \$9,910,000. Proceeds from this obligation were used to pay for costs of the bond issuance and current refund the 2013 Bonds in the amount of \$9,695,000. At the end of the fiscal year, the Authority had outstanding bond debt for this issue of \$9,540,000. Principal and interest payments will vary from year-to-year with the final payment due in 2034.

In October of 2020, the Authority issued new Sewer Revenue Bonds in the amount of \$8,510,000. Proceeds from this obligation were used to pay for costs of the bond issuance and current refund the 2015 Bonds in the amount of \$8,800,000. At the end of the fiscal year, the Authority had outstanding bond debt for this issue of \$6,910,000. Principal and interest payments will vary from year-to-year with the final payment due in 2031.

In April 2021, the Authority issued new Sewer Revenue Bonds in the amount of \$8,315,000. Proceeds from this obligation were used to pay for costs of the bond issuance and current refund the 2016 Bonds in the amount of \$8,665,000. At the end of the fiscal year, the Authority had outstanding bond debt for this issue of \$7,635,000. Principal and interest payments will vary from year-to-year with the final payment due in 2041.

In February 2011, the Authority closed on a loan from PennVest in the amounts of \$13,087,500 to partially fund the *Butler City Act 537 Wet Weather Flow Equalization Tanks, Diversion Structures, and Pumping Station Facilities Projects* required by the Consent Order and Agreement (CO&A), respectively. The Authority completed the projects during the fiscal year ended July 31, 2014. Amortization payments of principal and interest continued during the fiscal year, leaving an outstanding balance as of July 31, 2022 of \$6,530,514 on the remaining loan. The final payment on this loan is scheduled for January 2032.

More detailed information about the Authority's long-term debt is presented in the Notes to Financial Statements.

CONDITIONS AFFECTING FUTURE FINANCIAL POSITION

Asset Purchase Agreement and Pending Sale of Authority Assets, Subject to PUC Approval

On September 13, 2022, the Authority Board announced that Pennsylvania American Water (PAW) formally presented the Authority with an offer to acquire the wastewater system for \$231.5 million dollars. On February 14, 2023, Pennsylvania American Water filed an application with the Pennsylvania Public Utility Commission (PUC) requesting approval to purchase the Authority. Public Hearings were held on July 18 and 19, 2023. The PUC called for testimony and cross examination of all petitioners on July 28, 2023. The Joint Petition for Approval of Unanimous Settlement of all Issues, Docket A-2022-3037047 was submitted on August 14, 2023 for review to the Administrative Law Judge (ALJ), Judge Guhl, who is overseeing the PUC proceedings. As a result, the Asset Purchase Agreement (APA) and

purchase price was revised to \$230 million by approving the First Amendment to the APA. The Authority Board approved the First Amendment to the APA on August 8, 2023. The anticipated closing date is December 21, 2023. Additional and developing information is available at resources4basacustomers.org and a link can also be found on our website at basapa.org.

DEP Chapter 94 Corrective Action Plan to Address Pump Station Overflows

At the request of the Authority, a meeting of Authority representatives and representatives from the Pennsylvania Department of Environmental Protection (DEP) was held on November 14, 2018. The purpose of the meeting was to discuss recurring wet weather sanitary sewer overflows (SSOs) during the 2018 record rainfall year associated with several of BASA's sewage pump stations and the corrective actions necessary to reduce the overloaded conditions and/or to provide the additional capacities, if necessary, to address the hydraulic overload conditions and eliminate these SSOs.

In response to this meeting, the Authority prepared and submitted a Corrective Action Plan (CAP) to address wet weather hydraulic overloading of specific pump stations within the Authority's sewer system. The CAP primarily focuses on three pump stations that have experienced recurring wet weather SSO events during 2018: the Fisher Heights Pump Station, the Brewster Booster Pump Station, and the Bryson Pump Station. The Fisher Heights Pump Station is not significantly affected by pumped flows from any upstream pump station. However, the Brewster Booster and Bryson Pump Stations are significantly affected hydraulically by pumped flows from other upstream pump stations. Therefore, the CAP had to consider the hydraulic interconnection of the upstream pump stations when identifying the cause of the SSOs and assessing corrective actions and any capital improvements to these two pump stations.

The CAP was subdivided into separate sections to address the following pump stations and pump station systems (listed by the pump station flow sequence):

1. The Fisher Heights, Brewster, and Brewster Booster Pump Station System (FBB); and
2. The Greenwood, Benbrook, and Bryson Pump Station System (GBB).

Although many of the CAP tasks are similar for each of these systems, the tasks were outlined for each specific system for scheduling and progress reporting purposes.

The DEP reviewed the Authority's draft CAP and requested a few minor revisions. The modified CAP dated March 11, 2019 was formally approved by the DEP in a letter dated March 26, 2019. Subsequent revisions known as "RCAP" and "R2CAP" were approved on February 22, 2021 and June 2, 2022, respectively, and served to extend completion dates on various action items within the CAP.

In August 2019, the Authority hired Herbert Rowland and Grubic, Inc. (HRG) to provide engineering services to assist the Authority in completing the pump station assessments and preliminary design evaluation of alternative solutions for the approved CAP. This assessment was completed during the fourth quarter of 2020. HRG has since been contracted to proceed with FBB and GBB design evaluation (phase 01 & 02) and sewage facilities planning (phase 03) which have been completed, as well as design (phase 04) and permitting (phase 05) at a cost not to exceed \$735,400. The original estimated total cost of the combined FBB and GBB projects was \$12,000,000, however we believe this price will increase given the recent high inflation and market conditions including supply chain issues. We have not yet received an opinion of probable cost from HRG. The FBB and GBB project completion dates are May 2025 and August 2026, respectively. As of July 31, 2023, the Authority has successfully complied with

the CAP tasks and implementation schedule and has also continued to provide quarterly progress reports to the DEP in a timely manner.

Capital Improvements

The Authority continues to focus on capital improvement projects to address aging equipment and infrastructure in fiscally responsible ways to fund those projects while keeping our customers and the rate schedule in mind. The Authority evaluates capital projects on an ongoing basis by using input from the management team to establish priorities as well as the budget process and the Consulting Engineer's Annual Report as tools to assist in this on-going valuation.

CONTACTING THE AUTHORITY

If you have any questions about this report or need additional financial information, contact the Butler Area Sewer Authority's Finance Director or Executive Director at 100 Litman Road, Butler, PA 16001-3256.

BUTLER AREA SEWER AUTHORITY

STATEMENTS OF NET POSITION

JULY 31, 2023 AND 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,029,923	\$ 9,469,165
Investments:		
Trusteed accounts	8,204,848	7,683,343
Accounts receivable	2,525,878	2,249,088
Unbilled sewer receivable	1,057,400	1,047,100
Total current assets	21,818,049	20,448,696
Non-current assets:		
Capital assets, not being depreciated	2,323,185	1,798,610
Capital assets, net of accumulated depreciation	55,149,436	56,591,725
Total capital assets	57,472,621	58,390,335
Total non-current assets	57,472,621	58,390,335
Total Assets	79,290,670	78,839,031
Deferred Outflows of Resources		
Deferred charge on refunding	768,516	861,645
Liabilities		
Current liabilities:		
Vouchers payable	597,103	316,085
Accrued expenses	731,052	782,037
Current maturities of bonds payable	1,890,000	1,825,000
Current portion of notes payable	659,815	647,724
Total current liabilities	3,877,970	3,570,846
Non-current liabilities:		
Bonds payable, net of unamortized discount and premium	29,657,223	31,621,505
Notes payable	5,870,699	6,530,514
OPEB liability	3,912,550	3,849,049
Total non-current liabilities	39,440,472	42,001,068
Total Liabilities	43,318,442	45,571,914
Deferred Inflows of Resources		
Deferred inflows of resources for OPEB	516,663	703,541
Net Position		
Net investment in capital assets	20,163,400	18,627,237
Restricted	8,204,848	7,683,343
Unrestricted	7,855,833	7,114,641
Total Net Position	\$ 36,224,081	\$ 33,425,221

See accompanying notes to financial statements.

BUTLER AREA SEWER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JULY 31, 2023 AND 2022

	2023	2022
Operating Revenues:		
Sewer charges - non-industrial waste	\$ 11,797,179	\$ 10,561,806
Sewer charges - industrial waste	357,926	328,749
Other operating fees and charges	160,719	260,786
Total operating revenues	12,315,824	11,151,341
Operating Expenses:		
Operations and maintenance	5,767,025	5,330,364
Administration	942,271	920,487
Depreciation	3,811,097	3,725,042
Total operating expenses	10,520,393	9,975,893
Operating Income (Loss)	1,795,431	1,175,448
Non-Operating Revenues (Expenses):		
Interest income	648,819	213,880
Interest expense	(932,469)	(1,007,440)
Total non-operating revenues (expenses)	(283,650)	(793,560)
Income (Loss) Before Capital Contributions	1,511,781	381,888
Capital Contributions:		
Tap-in fees	206,460	295,740
Developer contribution revenue	1,080,619	-
Total capital contributions	1,287,079	295,740
Net Income (Loss)	2,798,860	677,628
Net Position:		
Beginning of year	33,425,221	32,747,593
End of year	\$ 36,224,081	\$ 33,425,221

See accompanying notes to financial statements.

BUTLER AREA SEWER AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Sewer charges and fees	\$ 12,028,734	\$ 10,939,509
Operations and maintenance	(5,660,369)	(5,489,484)
Administrative expenses	(942,271)	(920,487)
Net cash provided by (used in) operating activities	5,426,094	4,529,538
Cash Flows From Capital and Related Financing Activities:		
Tap-in fees	206,460	295,740
Principal paid on capital debt	(2,472,724)	(2,395,854)
Interest paid on capital debt	(913,622)	(988,593)
Payments related to the acquisition, construction, or improvement of capital assets	(1,812,764)	(1,675,045)
Net cash provided by (used in) capital and related financing activities	(4,992,650)	(4,763,752)
Cash Flows From Investing Activities:		
Interest and dividends	648,819	213,880
Proceeds from sale (purchase) of long-term investments	(521,505)	(192,688)
Net cash provided by (used in) investing activities	127,314	21,192
Net Increase (Decrease) in Cash and Cash Equivalents	560,758	(213,022)
Cash and Cash Equivalents:		
Beginning of year	9,469,165	9,682,187
End of year	\$ 10,029,923	\$ 9,469,165
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 1,795,431	\$ 1,175,448
Adjustments to reconcile operating income (loss) to cash and cash equivalents provided by (used in) operating activities:		
Depreciation	3,811,097	3,725,042
Change in assets and liabilities:		
Accounts and unbilled sewer receivables	(287,090)	(211,832)
Vouchers payable and accrued expenses	230,033	(36,373)
OPEB liability	63,501	(415,019)
Deferred inflows of resources - OPEB	(186,878)	292,272
Total adjustments	3,630,663	3,354,090
Net cash provided by (used in) operating activities	\$ 5,426,094	\$ 4,529,538
Non-Cash Investing, Capital, and Financing Activities:		
Developer contributions	\$ 1,080,619	\$ -

See accompanying notes to financial statements.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

1. Organization

The Butler Area Sewer Authority (Authority) is a body corporate and politic organized under the Municipality Authorities Act of 1945, P.L. 382 (Act), as amended and supplemented having been duly organized, under said Act by joint action of the City of Butler (City) and the Township of Butler (Township), both of Butler County, Pennsylvania. Its Certificate of Incorporation was issued by the Secretary of the Commonwealth of Pennsylvania on November 13, 1962. On May 6, 1997, the articles of incorporation were amended to extend the existence of the Authority to February 6, 2046.

The Authority provides sanitary sewer collection and treatment for the City of Butler, Township of Butler, Center Township, areas in East Butler Borough, and limited areas of Summit, Connoquenessing, and Oakland Townships.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

The report includes all of the services provided by the Authority to residents and businesses within its service area. Authority services provided include operation and maintenance of sewage collection and treatment facilities.

The Board is comprised of five members, with two members appointed by the Township and three appointed by the City. The Authority is not considered a component unit of either the Township or the City. The Authority is not financially accountable to either the Township or the City, nor does the Authority create a financial benefit or burden to either the Township or the City while operating under ordinary conditions. The City appoints a majority of Board members to the Authority, but because the City cannot replace the Board members at will once they have been appointed, they do not exercise control of the Board.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Basis of Accounting

The activities of the Authority are presented as an Enterprise Fund because the operations are financed and managed in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

As an Enterprise Fund, the Authority uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the liability is incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operation of the Authority. Operating revenues consist primarily of user charges. Non-operating revenues and expenses consist of those revenues and expenses that are related to the financing and investing types of activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments, principally money market funds, are carried at fair value.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Accounts Receivable

Accounts receivable consists of unpaid customer sewer billings at July 31, 2023 and 2022. No provision is made for uncollectible accounts, as these charges are lienable charges to the property served.

Unbilled Sewer Receivable

Unbilled sewer receivable represents an estimate of sewer services provided to customers that have not yet been billed.

Capital Assets

Capital assets, which include land, sewer system, pump stations, plant, vehicles, and construction in progress, are recorded at cost. The costs of maintenance and repairs that do not enhance the functionality of the asset or materially extend asset lives are not capitalized. The capitalization threshold is \$5,000 for all new purchases. Depreciation of all capital assets is charged against operations. Depreciation on assets has been provided using the straight-line method over the estimated useful lives, as follows:

Sewer system	5 to 40 years
Pump stations	5 to 40 years
Plant	5 to 40 years
Vehicles	5 years

Compensated Absences

The Authority provides paid vacation, personal, and sick leave benefits to all eligible employees. Vacation days can be accumulated by eligible employees, not to exceed 24 days. Personal days are granted annually to eligible full-time employees; however, they may not be carried over from calendar year to calendar year. Sick leave can be accumulated by employees, not to exceed 130 days. The Authority's policy at the time of separation of employment is to pay unused vacation, personal, and sick leave at the time of separation. The balance of compensated absences at July 31, 2023 and 2022 was \$609,400 and \$671,432, respectively, and is recorded in accrued expenses on the statements of net position.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Bond Discounts and Bond Premiums

Bond discounts and bond premiums are deferred and amortized over the life of the related bonds using the straight-line method. The unamortized balances of the bond discount and bond premium are recorded as a reduction of the related bond payable. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category, the deferred charge on refunding. The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following items that qualify for reporting in this category. In conjunction with other post-employment benefits (OPEB) accounting requirements, differences between expected and actual experience, and changes in assumption are recorded as deferred inflows of resources for OPEBs. These amounts are determined based on an actuarial valuation performed for the OPEB Plan. See Note 7 for additional information about the OPEB plan.

Net Position

Accounting standards require the classification of net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted – This component of net position consists of constraints placed on net position use through external restrictions.
- Unrestricted – This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

Adopted Pronouncements

The following GASB Statements were adopted for the year ended July 31, 2023: Statement Nos. 91 (Conduit Debt Obligations), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Authority’s financial statements for the year ended July 31, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

3. Deposits and Investments

In accordance with the Municipality Authorities Act and Act 10 of the Pennsylvania state legislature, in addition to deposits in institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Authority may invest in any of the following: United States Treasury Bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States or the Commonwealth of Pennsylvania, commercial paper, bankers’ acceptance, and negotiable certificates of deposits. Funds are either maintained in demand deposits or invested with the

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the years ended July 31, 2023 and 2022 that were in violation of these policies.

The following is a description of the Authority's deposit and investment risks:

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk.

As of July 31, 2023, \$6,534,587 of the Authority's bank balance of \$6,784,587 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution. These deposits have carrying amounts of \$6,651,868 as of July 31, 2023 and are reported as cash and cash equivalents in the statements of net position. As of July 31, 2023, \$250,000 of the Authority's deposits was covered by FDIC insurance.

As of July 31, 2022, \$5,873,041 of the Authority's bank balance of \$6,123,041 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution. These deposits have carrying amounts of \$6,217,593 as of July 31, 2022 and are reported as cash and cash equivalents in the statements of net position. As of July 31, 2022, \$250,000 of the Authority's deposits was covered by FDIC insurance.

Cash Equivalent Investments

As of July 31, 2023 and 2022, the entire PLGIT book and bank balance of \$3,378,055 and \$3,251,572, respectively, is considered to be a cash equivalent for presentation on the statements of net position.

The Authority can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/PRIME accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. For PLGIT Term accounts, there is a 60-day minimum term and a one-year maximum term. The minimum investment

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

and account balance for PLGIT Term accounts is \$100,000. PLGIT is audited annually by independent auditors. PLGIT uses amortized cost to report net assets to compute share prices. It is PLGIT's policy to maintain a net asset value of \$1 per share. Accordingly, the fair value of the position of PLGIT is the same as the value of PLGIT shares.

The fair value of the Authority's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

Investments

Included on the statements of net position are the following investments held by the Authority at July 31, 2023 and 2022:

Investment Type	2023		2022	
	Fair Value	Maturity in years	Fair Value	Maturity in years
		Less than 1 year		Less than 1 year
Money market funds	\$ 8,204,848	\$ 8,204,848	\$ 7,683,343	\$ 7,683,343
Total Investments	\$ 8,204,848	\$ 8,204,848	\$ 7,683,343	\$ 7,683,343

The fair value of the Authority's investments is the same as their carrying amount.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of July 31, 2023 and 2022, investments in PLGIT have received a AAA rating from Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investments or collateral securities that are in the possession of the outside entity. The Authority does not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority has no assets as of July 31, 2023 and 2022 requiring such valuation.

4. Capital Assets

A summary of changes in capital assets for the years ended July 31, 2023 and 2022 are as follows:

	Balance at August 1, 2022	Additions/ Transfers	Deletions/ Transfers	Balance at July 31, 2023
Land	\$ 821,425	\$ -	\$ -	\$ 821,425
Construction in progress	977,185	1,023,288	(498,713)	1,501,760
Capital assets, not being depreciated	1,798,610	1,023,288	(498,713)	2,323,185
 Vehicles	1,363,125	137,693	(47,459)	1,453,359
Sewer system	59,293,144	1,400,584	-	60,693,728
Pump stations	38,481,329	-	-	38,481,329
Plant	37,555,062	830,531	(6,903)	38,378,690
Capital assets, being depreciated	136,692,660	2,368,808	(54,362)	139,007,106
Less: accumulated depreciation	(80,100,935)	(3,811,097)	54,362	(83,857,670)
Capital assets, net of accumulated depreciation	56,591,725	(1,442,289)	-	55,149,436
Total capital assets, net	\$ 58,390,335	\$ (419,001)	\$ (498,713)	\$ 57,472,621

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

	Balance at August 1, 2021	Additions/ Transfers	Deletions/ Transfers	Balance at July 31, 2022
Land	\$ 821,425	\$ -	\$ -	\$ 821,425
Construction in progress	360,425	724,357	(107,597)	977,185
Capital assets, not being depreciated	1,181,850	724,357	(107,597)	1,798,610
Vehicles	851,152	534,043	(22,070)	1,363,125
Sewer system	59,588,587	7,242	(302,685)	59,293,144
Pump stations	38,400,149	94,140	(12,960)	38,481,329
Plant	37,194,437	422,860	(62,235)	37,555,062
Capital assets, being depreciated	136,034,325	1,058,285	(399,950)	136,692,660
Less: accumulated depreciation	(76,775,843)	(3,725,042)	399,950	(80,100,935)
Capital assets, net of accumulated depreciation	59,258,482	(2,666,757)	-	56,591,725
Total capital assets, net	\$ 60,440,332	\$ (1,942,400)	\$ (107,597)	\$ 58,390,335

5. Debt

Bonds Payable

During October 2017, the Authority issued Sewer Revenue Bonds, Series A and Series B of 2017 (2017 Bonds), in the amount of \$9,995,000 and \$1,325,000, respectively, a total of \$11,320,000 to refund certain PennVest notes payable, purchase a surety policy for deposit to the Debt Service Reserve Fund, and pay related costs and expenses of issuing the bonds. For Series A, the interest rates vary between 2.00% and 3.00% and mature from 2019 to 2032. The 2017 Series B Bonds matured in 2019.

During February 2020, the Authority issued Sewer Revenue Bonds, Series 2020 (2020 Bonds), in the amount of \$9,910,000 to current refund the 2013 Bonds and pay related costs and expenses of issuing the bonds. The interest rates vary between 2.00% and 5.00% and mature from 2020 to 2034.

During October 2020, the Authority issued Sewer Revenue Bonds, Series 2020A (2020A Bonds), in the amount of \$8,510,000 to current refund the 2015 Bonds and pay related costs and expenses of issuing the bonds. The interest rates vary between 1.00% and 5.00% and mature from 2021 to 2031.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

During April 2021, the Authority issued Sewer Revenue Bonds, Series 2021 (2021 Bonds), in the amount of \$8,315,000 to current refund the 2016 Bonds and pay related costs and expenses of issuing the bonds. The interest rates vary between 2.00% and 5.00% and mature from 2021 to 2041.

In the event of default, the bondholder may demand immediate payment of all outstanding principal and accrued interest. All Bonds are secured by pledged revenues derived by the Authority from the operations of the Sewer System. The bonds contain certain covenants as to the Authority, with respect to which the Authority is in compliance.

Annual maturities of the bonds payable at July 31, 2023 are as follows:

Year Ending July 31,	Principal	Interest	Total
2024	\$ 1,890,000	\$ 720,332	\$ 2,610,332
2025	1,980,000	651,582	2,631,582
2026	2,100,000	578,366	2,678,366
2027	2,160,000	509,044	2,669,044
2028	2,220,000	471,241	2,691,241
2029-2033	13,040,000	834,053	13,874,053
2034-2038	5,780,000	378,740	6,158,740
2039-2041	1,555,000	64,190	1,619,190
Total Payments	30,725,000	4,207,548	34,932,548
Plus: Unamortized Bond Discount/Premium	822,223	-	822,223
	<u>\$ 31,547,223</u>	<u>\$ 4,207,548</u>	<u>\$ 35,754,771</u>

Notes Payable - PennVest

During 2011, the Authority entered into a loan agreement with PennVest. The loan proceeds of \$13,087,500 were used to fund the Butler City Act 537 Project. This direct borrowing is secured by a parity first lien on the Authority's sewer revenues and contains provisions that in the event of default, (1) the outstanding principal balance and any accrued and unpaid interest to be immediately due and payable in full, and (2) PennVest may exercise any and all rights in the security interest in the Project collateral. Principal payments of \$647,724 and \$635,854 were made for the years ended July 31, 2023 and 2022, respectively. The interest rate for the first sixty months was 1.437% and is 1.851% for

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

the remainder of the loan. Principal and interest payments are due in monthly installments of \$62,775 for the first 30 months, \$62,690 for the next 30 months, and \$64,593 for the remainder of the loan with the final payment scheduled for August 2032.

Principal and interest payable in future years on all of the PennVest notes are as follows:

Fiscal Years	Principal	Interest	Total
2024	\$ 659,815	\$ 115,301	\$ 775,116
2025	672,133	102,983	775,116
2026	684,680	90,436	775,116
2027	697,461	77,655	775,116
2028	710,482	64,635	775,117
2029-2033	3,105,943	123,706	3,229,649
	<u>\$ 6,530,514</u>	<u>\$ 574,716</u>	<u>\$ 7,105,230</u>

Changes in Long-Term Liabilities

The following is a summary of debt transactions of the Authority for the year ended July 31, 2023:

	Balance at August 1, 2022	Issuance	Payments	Balance at July 31, 2023	Due within one year
Sewer Revenue Bonds (2017)	\$ 7,490,000	\$ -	\$ (850,000)	\$ 6,640,000	\$ 865,000
Sewer Revenue Bonds (2020)	9,645,000	-	(105,000)	9,540,000	110,000
Sewer Revenue Bonds (2020A)	7,445,000	-	(535,000)	6,910,000	560,000
Sewer Revenue Bonds (2021)	7,970,000	-	(335,000)	7,635,000	355,000
Notes from direct borrowings:					
PennVest Note (2011)	7,178,238	-	(647,724)	6,530,514	659,815
Payable, end of year	<u>\$ 39,728,238</u>	<u>\$ -</u>	<u>\$ (2,472,724)</u>	<u>\$ 37,255,514</u>	<u>\$ 2,549,815</u>

Amounts above and below do not reflect an original issue discount in the amount of \$86,978 and \$97,810, as of July 31, 2023 and 2022, respectively, for the 2013 Bonds and 2017 Bonds. The discount is amortized using the straight-line method over the shorter of the life of the original or refunded bonds.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Amounts above and below do not reflect an original issue premium in the amount of \$909,201 and \$994,315, as of July 31, 2023 and 2022, respectively, for the 2015 Bonds, 2016 Bonds, 2020 Bonds, 2020A Bonds, and 2021 Bonds. The premium is amortized using the straight-line method over the shorter of the life of the original or refunded bonds.

The following is a summary of debt transactions of the Authority for the year ended July 31, 2022:

	Balance at August 1, 2021	Issuance	Payments	Balance at July 31, 2022	Due within one year
Sewer Revenue Bonds (2017)	\$ 8,325,000	\$ -	\$ (835,000)	\$ 7,490,000	\$ 850,000
Sewer Revenue Bonds (2020)	9,745,000	-	(100,000)	9,645,000	105,000
Sewer Revenue Bonds (2020A)	7,950,000	-	(505,000)	7,445,000	535,000
Sewer Revenue Bonds (2021)	8,290,000	-	(320,000)	7,970,000	335,000
Notes from direct borrowings:					
PennVest Note (2011)	7,814,092	-	(635,854)	7,178,238	647,724
Payable, end of year	<u>\$42,124,092</u>	<u>\$ -</u>	<u>\$ (2,395,854)</u>	<u>\$39,728,238</u>	<u>\$ 2,472,724</u>

Neither the credit nor the taxing power of the City, the Township, or any political subdivision other than the Authority is pledged for the payment of the debt service payable. The debt is not an obligation of the City, the Township, or any other political subdivision other than the Authority.

6. Pension Plan

As of February 29, 2008, the accrued benefits for each participant of the defined benefit Pension Plan for Employees of Butler Area Sewer Authority (Plan) were calculated as actuarial equivalent account balances for the purpose of establishing individual account balances for the conversion of the Plan into a 401(a) defined contribution plan. As of the conversion date, no additional defined benefits accrued under the Plan and effective March 1, 2008, the Plan began as a defined contribution plan. As of July 31, 2023, all Authority employees that were eligible participated in the Plan. The Plan requires that all employees be employed at least twelve consecutive months and work a minimum of 1,000 hours during this period, as defined by the Plan document, to be eligible to participate. The Plan year is defined as the calendar year. Beginning January 1, 2018, participants and employers are required to contribute 5% and 7.5%, respectively, of eligible compensation. Employee and employer contributions to the Plan were \$120,127 and \$180,496, respectively, for the

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

year ended July 31, 2023. Employee and employer contributions to the Plan were \$136,291 and \$203,362 respectively, for the year ended July 31, 2022.

Effective March 1, 2008, the Authority adopted the Butler Area Sewer Authority 457(b) Plan (457(b) Plan). The 457(b) Plan year is defined as a calendar year and eligibility requirements of the 457(b) Plan prior to November 1, 2018, are consistent with the eligibility requirements of the Plan noted above. Effective November 1, 2018, contributions to the 457(b) Plan continue to be on a voluntary basis, but may commence upon employment with the Authority, provided applicable enrollment documents are in place. As of July 31, 2023, all of the Authority's employees are eligible to participate in the 457(b) Plan. Employee contributions are permitted up to the lesser of 100% of a participant's annual salary or the maximum annual dollar amount permitted by law. Employee contributions were \$70,210 and \$102,171 for the years ended July 31, 2023 and 2022, respectively.

Effective January 1, 2010, the Authority adopted the 457 Governmental Deferred Compensation Plan & Trust (Governmental Plan), in addition to the existing 457(b) Plan. The Governmental Plan year is defined as a calendar year. Contributions to the Governmental Plan are on a voluntary basis and may commence upon employment with the Authority, provided applicable enrollment documents are in place. As of July 31, 2023, all of the Authority's employees are eligible to participate in the Governmental Plan. Employee contributions are permitted up to the lesser of 100% of a participant's annual salary or the maximum dollar amount permitted by law. Employee contributions for the years ended July 31, 2023 and 2022 were \$13,072 and \$12,685, respectively.

7. Postemployment Benefits Other Than Pension Benefits (OPEBs)

Plan Description

In addition to the benefits described in Note 6, the Authority provides postemployment healthcare benefits in accordance with a labor agreement between the Authority and the American Federation of State, County, and Municipal Employees. The OPEB plan is a single-employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust to pay related benefits.

If an employee was hired prior to August 1, 2010, normal retirement is age 65, but those participants who retire after December 31, 2000 are eligible for OPEB benefits after attaining age 62. If an employee was hired on or after August 1, 2010, no post-employment

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

benefits are payable. Covered individuals are employees, their spouses, and eligible dependents.

Benefits Provided

For those eligible employees retiring between ages 62 and 64, the Authority pays up to 97% of the cost of the Authority's active employee group rate at the time of his or her retirement for medical and prescription drug premiums until Medicare eligibility (a period not to exceed 36 months from the retiree's date of retirement). No dental or vision benefits are provided. Upon Medicare eligibility at age 65, the retiree must convert to a Medicare Advantage Plan. The Authority pays the full cost of the designated retiree's Medicare Advantage premium, provided that Medicare eligibility is sustained. For those employees retiring at age 65, the Authority pays the full cost of the designated retiree's Medicare Advantage premium, provided that Medicare eligibility is sustained.

For spouses and eligible dependent(s) who are under age 65, the Authority will pay up to 97% of the Authority's active employee group rate at the time of the retiree's retirement for medical and prescription drug premiums for a maximum period of 36 months from the date of retirement, or until the retiree reaches Medicare eligibility, whichever comes first. If the retiree becomes Medicare eligible prior to the expiration of the maximum 36-month period, the Authority will pay the cost of the spouse's COBRA premium but only until the earlier of the expiration of the 36-month period or the spouse reaching Medicare eligibility. Upon the spouse reaching Medicare eligibility (whether immediately if already at or past Medicare eligibility at the date of retirement, during the first 36 months following retirement, or after the 36 months of coverage if the Authority's plan lapses), the Authority will pay the full cost of the spouse's Medicare Advantage premium, provided that Medicare eligibility is sustained. All Authority-paid benefits to the spouse cease upon the death of the retiring employee. All Authority-paid benefits to dependents cease upon the earlier of the expiration of 36 months following the retiree's retirement date, the spouse's eligibility for Medicare, or the retiree's death.

For pre-age 65 coverage, a PPO \$500/\$1000 Deductible Plan administered by Municipal Benefits Services is available. For post-age 65 coverage, a Medicare Advantage Plan is available, where Highmark bills the Authority through the retiree.

Contributions

The Authority will pay costs up to 97% of the active employee group rate as of the date of retirement towards the retiree group rate for a maximum period of 36 months as described

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

above. The retiree must reimburse the Authority for the difference between the retiree and active plan premiums, if any, and any premium increases after retirement.

Employees Covered by Benefit Terms

As of August 1, 2021, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Current retired participants receiving OPEB benefits	17
Active participants eligible for future OPEB benefits	<u>21</u>
	<u>38</u>

Total OPEB Liability

The Authority's total OPEB liability of \$3,912,550 was measured as of August 1, 2021 and was determined by an actuarial valuation as of that date.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 1, 2021 using the following actuarial assumptions, applied to all periods including the measurement:

Inflation	2.50%
Discount rate	2.50% per year
Healthcare cost trend rates	

Year	Pre-Medicare Medical	Medicare Supplement
2021	7.75%	4.75%
2022	7.25%	4.50%
2023	6.75%	4.50%
2024	6.25%	4.50%
2025	5.75%	4.50%
2026	5.25%	4.50%
2027	4.75%	4.50%
2028	4.50%	4.50%

Retirees' share of benefit-related costs

The Authority will pay costs up to 97% of the active employee base group rate as of the date of retirement towards the retiree group rate for a maximum period of 36 months. The retiree must reimburse the Authority for the difference between the retiree and active plan premiums, if any, and any premium increases after retirement.

The discount rate was based on a survey of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the 2010 Public Retirement Plan – General Employees mortality tables (PubG-2010).

The actuarial assumptions used in the August 1, 2021 valuation were based on the results of an actuarial experience study as of August 1, 2021.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 31, 2022	\$ 3,849,049
Changes for the year:	
Service cost	97,906
Interest	97,041
Benefit payments	(131,446)
Net changes	63,501
Balance at July 31, 2023	<u>\$ 3,912,550</u>

There were no changes of benefit terms.

The discount rate was reduced from 2.75% to 2.50% to more accurately reflect the high quality long-term municipal bond rate published by the Federal Reserve.

Assumed interest and inflation rates reduced from 2.75% to 2.50%.

The mortality and mortality improvement assumptions were changed from RP-2014 Table with 50% of Blue Collar Adjustment and rates projected to improve based on rates from the Long-Range Demographic Assumptions for the 2015 Social Security Administrations' Trustee Report to the 2010 Public Retirement Plans – General Employees mortality table (PubG-2010) with improvement projected from 2020 based on the 2020 Social Security Administration's Trustee Report assumptions.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate as of July 31, 2023:

	1% Decrease (1.50%)	Discount Rate (2.50%)	1% Increase (3.50%)
Total OPEB liability	\$ 4,511,211	\$ 3,912,550	\$ 3,417,407

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates as of July 31, 2023:

	1% Decrease (1.50%)	Discount Rate (2.50%)	1% Increase (3.50%)
Total OPEB liability	\$ 3,302,206	\$ 3,912,550	\$ 4,682,661

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended July 31, 2023, the Authority recognized OPEB expense of \$8,069. At July 31, 2023, the Authority had the following deferred outflows of resources and deferred inflows or resources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 427,439
Changes of assumptions	-	89,224
	<u>\$ -</u>	<u>\$ 516,663</u>

Amounts reported as deferred outflows of resources and deferred inflows or resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year Ending July 31,</u>	
2024	\$ (186,878)
2025	(186,879)
2026	(84,061)
2027	(58,845)
	<u>\$ (516,663)</u>

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

8. Environmental and Other Contingent Liabilities

DEP Chapter 94 Corrective Action Plan (CAP) of 2019

On March 11, 2019, the Authority submitted a voluntary Corrective Action Plan (CAP) with the Pennsylvania Department of Environmental Protection (DEP) to address the hydraulic overloads that have been identified in portions of the Authority's sewer conveyance system, which was approved by the DEP on March 26, 2019. The CAP was granted a schedule revision (R2CAP) on June 2, 2022. The CAP includes various tasks related to the Fisher Heights Pump Station, Brewster & Brewster Booster Pump Station System (FBB), and Greenwood, Benbrook, and Bryson Pump Station System (GBB) with work to be completed through May 2025 and August 2026, respectively.

Final designs for Fischer, Brewster and Brewster Booster Pump Stations System (FBB) are 90 percent complete. The Greenwood, Bryson and Benbrook Pump Station System (GBB) 90 percent design drawings are expected to be completed in October of 2023. On June 9, 2023, the Authority Board passed Resolution No. 5-9-2023-2 for the Declaration of Taking of all the property needed for the construction of the pump stations in FBB and GBB. DEP approved the Water Quality Management (WQM) Permits on April 27, 2023. The Authority Board also authorized the design consultants HRG to proceed with developing the land development plans on June 13, 2023, at a cost of \$53,500. The Authority anticipates final land development approvals for both FBB and GBB from Center Township and Butler Township, respectively, by October 2023.

As of July 31, 2023, the Authority has successfully complied with the CAP tasks and the CAP implementation schedule. The Authority has also continued to submit quarterly progress reports to the DEP in a timely manner as required by the CAP.

9. Commitments

As of July 31, 2023, the Authority has entered into construction contracts that have not been completed as of the end of the fiscal year. Amounts remaining on the contracts for construction services not performed as of July 31, 2023 total approximately \$798,000. Work is scheduled to be completed on these projects during the upcoming fiscal year.

BUTLER AREA SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

10. Subsequent Event

During 2021, the Authority entered into a confidentiality agreement with Pennsylvania American Water (PAW) to consider the possible sale of the Authority's operating assets. On September 13, 2022 the Authority Board announced that PAW formally presented the Authority with an offer to acquire the wastewater system for \$231.5 million. At the Authority's October 11, 2022 meeting the Board voted unanimously to approve and executed the Asset Purchase Agreement (APA) with PAW. The City of Butler and Butler Township voted upon and passed resolutions to support the sale at their meetings on October 13, 2022 and October 17, 2022, respectively. PAW initiated a formal application to the Pennsylvania Public Utility Commission. The sale is anticipated to close in December 2023 and is currently awaiting regulatory approval.

REQUIRED SUPPLEMENTARY INFORMATION

BUTLER AREA SEWER AUTHORITY

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED JULY 31
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service cost	\$ 97,906	\$ 95,518	\$ 111,110	\$ 108,136	\$ 128,003	\$ 124,577
Interest	97,041	95,435	115,908	113,534	161,018	154,796
Differences between expected and actual experiences	-	(373,483)	-	(555,002)	-	-
Changes of assumptions	-	(105,667)	-	(61,901)	-	-
Benefit payments	(131,446)	(126,822)	(132,474)	(144,087)	(104,459)	(105,616)
Net change in Total OPEB Liability	63,501	(415,019)	94,544	(539,320)	184,562	173,757
Total OPEB Liability - Beginning	3,849,049	4,264,068	4,169,524	4,708,844	4,524,282	4,350,525
Total OPEB Liability - Ending	<u>\$ 3,912,550</u>	<u>\$ 3,849,049</u>	<u>\$ 4,264,068</u>	<u>\$ 4,169,524</u>	<u>\$ 4,708,844</u>	<u>\$ 4,524,282</u>
Covered Employee Payroll	<u>\$ 1,020,325</u>	<u>\$ 1,382,659</u>	<u>\$ 1,630,730</u>	<u>\$ 1,878,279</u>	<u>\$ 1,916,392</u>	<u>\$ 2,237,929</u>
Total OPEB Liability as a percentage of Covered Employee Payroll	383.46%	278.38%	261.48%	221.99%	245.71%	202.16%

*Until a full 10-year trend is compiled, the required information for the plan is presented for those years for which information is available.

See accompanying notes to required supplementary information.

BUTLER AREA SEWER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JULY 31, 2023 AND 2022

Accumulated Assets

No assets are accumulated in a trust to pay related benefits.

Benefit Changes

There were no changes of benefit terms.

Changes of Assumptions

In the August 1, 2019 actuarial valuation, the discount rate was reduced from 3.5% to 2.75%; the withdrawal assumption was updated from Table T-2, Actuary's Pension Handbook, to Table T-1, Actuary's Pension Handbook; and the assumed coverage level for future retirees was changed from 20% individual, 80% husband/wife to 40% individual, and 60% husband/wife with the spouse age difference increased from 2 years to 3 years.

In the August 1, 2021 actuarial valuation, the discount, assumed interest, and inflation rates were reduced from 2.75% to 2.50%; Mortality and mortality improvement assumptions were changed from RP-2014 Table with 50% of Blue Collar Adjustment and rates projected to improve based on rates from the Long-Range Demographic Assumptions for the 2015 Social Security Administrations' Trustee Report to the 2010 Public Retirement Plans – General Employees mortality table (PubG-2010) with improvement projected from 2020 based on the 2020 Social Security Administration's Trustee Report assumptions.

There have been no other changes in actuarial assumptions since the date of the last report.

SUPPLEMENTARY INFORMATION

BUTLER AREA SEWER AUTHORITY

COMBINING STATEMENT OF NET POSITION

JULY 31, 2023

	Revenue Fund	Debt Service Fund	Debt Service Reserve Fund	Capital Improvement and Redemption Fund	Bond Redemption and Improvement Fund	Construction Fund	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 6,114,089	\$ -	\$ -	\$ 3,915,834	\$ -	\$ -	\$ 10,029,923
Investments:							
Trusteed accounts	-	7,368	1,889,200	-	6,308,280	-	8,204,848
Accounts receivable	2,525,878	-	-	-	-	-	2,525,878
Unbilled sewer receivable	1,057,400	-	-	-	-	-	1,057,400
Total current assets	9,697,367	\$7,368	1,889,200	3,915,834	6,308,280	-	21,818,049
Non-current assets:							
Capital assets, not being depreciated	2,323,185	-	-	-	-	-	2,323,185
Capital assets, net of accumulated depreciation	55,149,436	-	-	-	-	-	55,149,436
Total capital assets	57,472,621	-	-	-	-	-	57,472,621
Total non-current assets	57,472,621	-	-	-	-	-	57,472,621
Total Assets	67,169,988	7,368	1,889,200	3,915,834	6,308,280	-	79,290,670
Deferred Outflows of Resources							
Deferred charge on refunding	768,516	-	-	-	-	-	768,516
Liabilities							
Current liabilities:							
Vouchers payable	594,103	-	-	3,000	-	-	597,103
Accrued expenses	731,052	-	-	-	-	-	731,052
Current maturities of bonds payable	1,890,000	-	-	-	-	-	1,890,000
Current portion of notes payable	659,815	-	-	-	-	-	659,815
Total current liabilities	3,874,970	-	-	3,000	-	-	3,877,970
Non-current liabilities:							
Bonds payable, net of unamortized discount and premium	29,657,223	-	-	-	-	-	29,657,223
Notes payable	5,870,699	-	-	-	-	-	5,870,699
OPEB liability	3,912,550	-	-	-	-	-	3,912,550
Total non-current liabilities	39,440,472	-	-	-	-	-	39,440,472
Total Liabilities	43,315,442	-	-	3,000	-	-	43,318,442
Deferred Inflows of Resources							
Deferred inflows of resources for OPEB	516,663	-	-	-	-	-	516,663
Net Position							
Net investment in capital assets	20,163,400	-	-	-	-	-	20,163,400
Restricted	-	7,368	1,889,200	-	6,308,280	-	8,204,848
Unrestricted	3,942,999	-	-	3,912,834	-	-	7,855,833
Total Net Position	\$ 24,106,399	\$ 7,368	\$ 1,889,200	\$ 3,912,834	\$ 6,308,280	\$ -	\$ 36,224,081

BUTLER AREA SEWER AUTHORITY

COMBINING STATEMENT OF NET POSITION

JULY 31, 2022

	Revenue Fund	Debt Service Fund	Debt Service Reserve Fund	Capital Improvement and Redemption Fund	Bond Redemption and Improvement Fund	Construction Fund	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 5,275,059	\$ -	\$ -	\$ 4,194,106	\$ -	\$ -	\$ 9,469,165
Investments:							
Trusteed accounts	-	522,282	1,820,372	-	5,340,689	-	7,683,343
Accounts receivable	2,249,088	-	-	-	-	-	2,249,088
Unbilled sewer receivable	1,047,100	-	-	-	-	-	1,047,100
Total current assets	8,571,247	\$522,282	1,820,372	4,194,106	5,340,689	-	20,448,696
Non-current assets:							
Capital assets not being depreciated	1,798,610	-	-	-	-	-	1,798,610
Capital assets, net of accumulated depreciation	56,591,725	-	-	-	-	-	56,591,725
Total capital assets	58,390,335	-	-	-	-	-	58,390,335
Total non-current assets	58,390,335	-	-	-	-	-	58,390,335
Total Assets	66,961,582	522,282	1,820,372	4,194,106	5,340,689	-	78,839,031
Deferred Outflows of Resources							
Deferred charge on refunding	861,645	-	-	-	-	-	861,645
Liabilities							
Current liabilities:							
Vouchers payable	316,085	-	-	-	-	-	316,085
Accrued expenses	782,037	-	-	-	-	-	782,037
Current maturities of bonds payable	1,825,000	-	-	-	-	-	1,825,000
Current portion of notes payable	647,724	-	-	-	-	-	647,724
Total current liabilities	3,570,846	-	-	-	-	-	3,570,846
Non-current liabilities:							
Bonds payable, net of unamortized discount and premium	31,621,505	-	-	-	-	-	31,621,505
Notes payable	6,530,514	-	-	-	-	-	6,530,514
OPEB liability	3,849,049	-	-	-	-	-	3,849,049
Total non-current liabilities	42,001,068	-	-	-	-	-	42,001,068
Total Liabilities	45,571,914	-	-	-	-	-	45,571,914
Deferred Inflows of Resources							
Deferred inflows of resources for OPEB	703,541	-	-	-	-	-	703,541
Net Position							
Net investment in capital assets	18,627,237	-	-	-	-	-	18,627,237
Restricted	-	522,282	1,820,372	-	5,340,689	-	7,683,343
Unrestricted	2,920,535	-	-	4,194,106	-	-	7,114,641
Total Net Position	\$ 21,547,772	\$ 522,282	\$ 1,820,372	\$ 4,194,106	\$ 5,340,689	\$ -	\$ 33,425,221

BUTLER AREA SEWER AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JULY 31, 2023

	Revenue Fund	Debt Service Fund	Debt Service Reserve Fund	Capital Improvement and Redemption Fund	Bond Redemption and Improvement Fund	Construction Fund	Total
Operating Revenues:							
Sewer charges - non-industrial waste	\$ 11,797,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,797,179
Sewer charges - industrial waste	357,926	-	-	-	-	-	357,926
Other operating fees and charges	160,719	-	-	-	-	-	160,719
Total operating revenues	12,315,824	-	-	-	-	-	12,315,824
Operating Expenses:							
Operations and maintenance	5,767,025	-	-	-	-	-	5,767,025
Administration	942,271	-	-	-	-	-	942,271
Depreciation	3,811,097	-	-	-	-	-	3,811,097
Total operating expenses	10,520,393	-	-	-	-	-	10,520,393
Operating Income (Loss)	1,795,431	-	-	-	-	-	1,795,431
Non-Operating Revenues (Expenses):							
Interest income	323,821	18,827	68,828	36,326	201,017	-	648,819
Interest expense	(932,469)	-	-	-	-	-	(932,469)
Total non-operating revenues (expenses)	(608,648)	18,827	68,828	36,326	201,017	-	(283,650)
Income (Loss) Before Capital Contributions and Transfers	1,186,783	18,827	68,828	36,326	201,017	-	1,511,781
Capital Contributions:							
Tap-in fees	206,460	-	-	-	-	-	206,460
Developer contribution revenue	1,080,619	-	-	-	-	-	1,080,619
Total capital contributions	1,287,079	-	-	-	-	-	1,287,079
Net Income (Loss) Before Transfers	2,473,862	18,827	68,828	36,326	201,017	-	2,798,860
Transfers:							
Transfers in from:							
Revenue Fund	-	2,077,490	-	-	1,392,300	-	3,469,790
Debt Service Fund	2,611,231	-	-	-	-	-	2,611,231
Debt Service Reserve Fund	-	-	-	-	-	-	-
Capital Improvement and Redemption Fund	943,324	-	-	-	-	-	943,324
Bond Redemption and Improvement Fund	-	-	-	625,726	-	-	625,726
Transfers out to:							
Revenue Fund	-	(2,611,231)	-	(943,324)	-	-	(3,554,555)
Debt Service Fund	(2,077,490)	-	-	-	-	-	(2,077,490)
Debt Service Reserve Fund	-	-	-	-	-	-	-
Capital Improvement and Redemption Fund	-	-	-	-	(625,726)	-	(625,726)
Bond Redemption and Improvement Fund	(1,392,300)	-	-	-	-	-	(1,392,300)
Net Income (Loss)	2,558,627	(514,914)	68,828	(281,272)	967,591	-	2,798,860
Net Position:							
Beginning of year	21,547,772	522,282	1,820,372	4,194,106	5,340,689	-	33,425,221
End of year	\$ 24,106,399	\$ 7,368	\$ 1,889,200	\$ 3,912,834	\$ 6,308,280	\$ -	\$ 36,224,081

BUTLER AREA SEWER AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JULY 31, 2022

	Revenue Fund	Debt Service Fund	Debt Service Reserve Fund	Capital Improvement and Redemption Fund	Bond Redemption and Improvement Fund	Construction Fund	Total
Operating Revenues:							
Sewer charges - non-industrial waste	\$ 10,561,806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,561,806
Sewer charges - industrial waste	328,749	-	-	-	-	-	328,749
Other operating fees and charges	260,786	-	-	-	-	-	260,786
Total operating revenues	11,151,341	-	-	-	-	-	11,151,341
Operating Expenses:							
Operations and maintenance	5,330,364	-	-	-	-	-	5,330,364
Administration	920,487	-	-	-	-	-	920,487
Depreciation	3,725,042	-	-	-	-	-	3,725,042
Total operating expenses	9,975,893	-	-	-	-	-	9,975,893
Operating Income (Loss)	1,175,448	-	-	-	-	-	1,175,448
Non-Operating Revenues (Expenses):							
Interest income	195,849	1,519	4,467	2,207	9,838	-	213,880
Interest expense	(1,007,440)	-	-	-	-	-	(1,007,440)
Total non-operating revenues (expenses)	(811,591)	1,519	4,467	2,207	9,838	-	(793,560)
Income (Loss) Before Capital Contributions and Transfers	363,857	1,519	4,467	2,207	9,838	-	381,888
Capital Contributions:							
Tap-in fees	295,740	-	-	-	-	-	295,740
Developer contribution revenue	-	-	-	-	-	-	-
Total capital contributions	295,740	-	-	-	-	-	295,740
Net Income (Loss) Before Transfers	659,597	1,519	4,467	2,207	9,838	-	677,628
Transfers:							
Transfers in from:							
Revenue Fund	-	2,608,739	-	-	812,350	-	3,421,089
Debt Service Fund	2,609,331	-	-	-	-	-	2,609,331
Debt Service Reserve Fund	-	520,806	-	-	-	-	520,806
Capital Improvement and Redemption Fund	862,111	-	-	-	-	-	862,111
Bond Redemption and Improvement Fund	-	-	-	634,894	-	-	634,894
Transfers out to:							
Revenue Fund	-	(2,609,331)	-	(862,111)	-	-	(3,471,442)
Debt Service Fund	(2,608,739)	-	(520,806)	-	-	-	(3,129,545)
Debt Service Reserve Fund	-	-	-	-	-	-	-
Capital Improvement and Redemption Fund	-	-	-	-	(634,894)	-	(634,894)
Bond Redemption and Improvement Fund	(812,350)	-	-	-	-	-	(812,350)
Net Income (Loss)	709,950	521,733	(516,339)	(225,010)	187,294	-	677,628
Net Position:							
Beginning of year	20,837,822	549	2,336,711	4,419,116	5,153,395	-	32,747,593
End of year	\$ 21,547,772	\$ 522,282	\$ 1,820,372	\$ 4,194,106	\$ 5,340,689	\$ -	\$ 33,425,221