

# **VALLEY RURAL UTILITY COMPANY**

## **AUDITED FINANCIAL STATEMENTS**

December 31, 2023  
and  
December 31, 2022

# VALLEY RURAL UTILITY COMPANY

December 31, 2023 and December 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of  
Valley Rural Utility Company  
Lawrenceburg, Indiana

### **Opinion**

We have audited the accompanying financial statements of Valley Rural Utility Company (a not-for-profit organization), which comprise the Balance Sheets as of December 31, 2023 and December 31, 2022, and the related Statements of Income, Changes in Equity, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Valley Rural Utility Company as of December 31, 2023 and December 31, 2022, and the results of operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis For Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Valley Rural Utility Company and to meet our 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 Statement**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 Valley Rural Utility Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material

To the Board of Directors and Management of  
Valley Rural Utility Company

**Auditor's Responsibility for the Audit of the Financial Statements (continued)**

misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Valley Rural Utility Company'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 Valley Rural Utility Company'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.

**Report on Supplementary Information**

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

*Sherman, Barber & Mullikin*

Sherman, Barber & Mullikin  
Madison, Indiana

May 23, 2024

## VALLEY RURAL UTILITY COMPANY

### Balance Sheets December 31,

	2023	2022
<b>Assets</b>		
<b>Utility Plant</b>		
Utility Plant in Service	\$ 19,586,444	\$ 19,478,467
Less: Accumulated Depreciation	(8,129,974)	(7,594,069)
Net Utility Plant in Service	11,456,470	11,884,398
Construction in Progress	20,000	-
Total Utility Plant	11,476,470	11,884,398
<b>Current Assets</b>		
Cash and Cash Equivalents	348,676	384,005
Certificates of Deposit	495,263	99,603
Restricted Funds - Sinking Fund	357,792	334,009
Investment Debt Securities - Held-to-Maturity	482,908	196,401
Accounts Receivable	454,278	493,850
Inventory	24,756	18,184
Total Current Assets	2,163,673	1,526,052
<b>Other Assets</b>		
Restricted Funds - Debt Service Reserve	671,979	663,931
Certificates of Deposit	201,005	35,005
Investment Debt Securities - Held-to-Maturity	-	484,347
Total Other Assets	872,984	1,183,283
<b>Total Assets</b>	<b>\$ 14,513,127</b>	<b>\$ 14,593,733</b>

**VALLEY RURAL UTILITY COMPANY**

**Balance Sheets  
December 31,  
(Continued)**

	<b>2023</b>	<b>2022</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Contributions-in-Aid of Construction	\$ 2,280,743	\$ 2,248,213
Other Paid-in Capital	696,691	696,691
Retained Earnings (Deficit)	(403,163)	(845,685)
Total Equity	2,574,271	2,099,219
<b>Current Liabilities</b>		
Accounts Payable - Trade	232,988	290,838
Taxes Payable	9,229	9,105
Accrued Liabilities	273,967	271,181
Current Portion - Gas System Obligation	131,837	125,572
Current Portion - Bonds Payable	340,000	335,000
Total Current Liabilities	988,021	1,031,696
<b>Long-Term Liabilities</b>		
Gas System Obligation	763,163	941,160
Less: Current Portion	(131,837)	(125,572)
Bonds Payable and Unamortized Issuance Costs	10,659,509	10,982,230
Less: Current Portion	(340,000)	(335,000)
Total Long-Term Liabilities	10,950,835	11,462,818
<b>Total Liabilities</b>	<b>11,938,856</b>	<b>12,494,514</b>
<b>Total Equity and Liabilities</b>	<b>\$ 14,513,127</b>	<b>\$ 14,593,733</b>

**VALLEY RURAL UTILITY COMPANY**

**Statements of Income  
For the Years Ended December 31,**

	<b>2023</b>	<b>2022</b>
<b>Operating Revenue</b>		
Water Sales	\$ 755,008	\$ 730,853
Sewer Sales	2,054,826	1,825,183
Gas Sales	534,294	658,951
Other Operating Income - Water	79,748	79,251
Other Operating Income - Sewer	59,329	50,585
Total Operating Revenue	3,483,205	3,344,823
<b>Operating Expenses</b>		
Source of Supply	544,112	622,435
Plant Expenses	1,459,875	1,204,244
Administrative Expenses	182,108	131,280
Depreciation	544,415	541,974
Total Operating Expenses	2,730,510	2,499,933
<b>Net Operating Income</b>	752,695	844,890
<b>Other Income</b>		
Interest Income	56,960	14,003
Other Income	770	3,722
Total Other Income	57,730	17,725
<b>Other Expenses</b>		
Interest Expense	363,169	377,963
Miscellaneous Expenses	4,734	3,739
Total Other Expenses	367,903	381,702
<b>Net Income</b>	\$ 442,522	\$ 480,913

**VALLEY RURAL UTILITY COMPANY**

**Statements of Changes in Equity  
For the Years Ended December 31,**

	<b>2023</b>	<b>2022</b>
<b>Contributions-in-Aid of Construction</b>		
Balance, January 1	\$ 2,248,213	\$ 2,216,606
Tap and Separate Water Meter Fees	32,530	31,607
Balance, December 31	2,280,743	2,248,213
<b>Other Paid-in Capital</b>	696,691	696,691
<b>Retained Earnings (Deficit)</b>		
Balance, January 1	(845,685)	(1,326,598)
Net Income	442,522	480,913
Balance, December 31	(403,163)	(845,685)
<b>Total Equity</b>	<b>\$ 2,574,271</b>	<b>\$ 2,099,219</b>



**VALLEY RURAL UTILITY COMPANY**

**Statements of Cash Flows  
For the Years Ended December 31,**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 442,522	\$ 480,913
Noncash Items Included in Net Income:		
Depreciation	544,415	541,974
Amortization of Bond Issuance Costs	12,239	12,278
Interest Earned	(18,820)	(6,025)
(Increase) Decrease in:		
Accounts Receivable	39,572	(133,559)
Inventory	(6,572)	4,605
Increase (Decrease) in:		
Accounts Payable	(57,850)	53,790
Expenses Accrued and Withheld	2,910	3,456
Net Cash Provided by Operations	958,416	957,432
<b>Cash Flows from Investing Activities</b>		
Additions to Utility Plant	(136,487)	(228,876)
Transfer from Certificate of Deposit	-	422,807
Transfer to Brokerage Account	(345,000)	(463,000)
Net Cash Used in Investing Activities	(481,487)	(269,069)
<b>Cash Flows from Financing Activities</b>		
Payments on Long-Term Liabilities	(512,957)	(533,241)
Tap and Separate Water Meter Fees	32,530	31,607
Net Cash Used in Financing Activities	(480,427)	(501,634)
<b>Cash, Cash Equivalents, and Restricted Cash</b>		
Net Increase (Decrease)	(3,498)	186,729
Beginning of Period	1,381,945	1,195,216
End of Period	\$ 1,378,447	\$ 1,381,945
<b><u>Supplemental Information</u></b>		
Interest Paid	\$ 366,519	\$ 368,985
<b><u>Non-Cash Investing and Finance Activity</u></b>		
Brokerage Account Activity		
Investment Purchased	\$ -	\$ 680,748
Investment Matured	\$ (200,000)	\$ -
Certificate of Deposit Purchased	\$ 661,020	\$ 35,005
Certificate of Deposit Matured	\$ (99,000)	\$ (249,000)

## VALLEY RURAL UTILITY COMPANY

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Nature of Operations and Organization

Valley Rural Utility Company, incorporated December 14, 1994, was formed for the purpose of maintaining and operating a complete water and sewer system. The Company currently serves approximately 2,059 water and sewer customers. The Company utilizes the Uniform System of Accounts for Class B water utilities as promulgated by the Indiana Utility Regulatory Commission and the National Association of Regulatory Utility Commissioners.

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America that apply to business entities. Although the Company is exempt from taxation by the Internal Revenue Service, the Company does not possess certain not-for-profit characteristics, as defined by accounting standards, that distinguish it from a business entity.

In May of 2001, Valley Rural Utility Company entered into a management agreement and a gas supply aggregation contract with Utility Pipeline, Ltd. (UPL), an Ohio limited liability company, in order to provide natural gas service to its customers. UPL agreed to design and construct facilities necessary to provide natural gas distribution service to the residents of Hidden Valley Lake development, including all facilities required for the interconnection with an interstate or intrastate natural gas pipeline. UPL also agreed to operate and maintain the natural gas distribution system for an initial fifteen-year term. The gas supply aggregation contract further requires UPL to act as agent for Valley Rural Utility Company to arrange for the procurement of long-term gas supplies to meet the needs of its customers at the lowest cost reasonably possible. During 2014, the Company entered into an agreement to extend the term an additional fifteen years. There were 707 customers receiving gas service at December 31, 2023.

##### (2) Income Taxes

The Company has been granted an exemption from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. The Company has also been granted exemption from Indiana Gross Receipts Tax under Indiana Code. Accordingly, no provision has been made for income taxes in the financial statements.

##### (3) Utility Plant

Utility Plant assets are recorded at cost. Expenditures, which do not materially extend the useful life of, or expand, the "system" are charged to supplies or repair expense when incurred. Company policy states that assets with costs of \$500 or more are to be capitalized.

##### (4) Depreciation

The provision for depreciation on the water, sewer, and gas system is computed using the straight-line method with the half-year convention in the years of acquisition and disposal. Estimated useful lives for utility plant and furniture and equipment range from 15-50 years and 5-20 years, respectively.

# VALLEY RURAL UTILITY COMPANY

## Notes to Financial Statements December 31, 2023 and 2022

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (5) Cash, Cash Equivalents, and Restricted Cash

Cash and Cash Equivalents, for the purposes of Balance Sheet classification, includes unrestricted cash on deposit with financial institutions and investments with original maturities of three months or less.

Restricted Cash on deposit with financial institutions, consists of funds used for servicing long term debt. Restricted Cash is classified on the Balance Sheet as either current or long term based upon the intended use of the funds.

The following table provides a reconciliation of the Cash, Cash Equivalents, and Restricted Cash amounts as presented on the Balance Sheets to the amounts presented on the Statements of Cash Flows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 348,676	\$ 384,005
Restricted Cash included in Current Assets	357,792	334,009
Restricted Cash included in Other Assets	<u>671,979</u>	<u>663,931</u>
Cash, Cash Equivalents, and Restricted Cash as presented on the Statements of Cash Flows	<u>\$ 1,378,447</u>	<u>\$ 1,381,945</u>

#### (6) Certificates of Deposit

The Company has certificates of deposit at financial institutions with various maturities. Certificates of deposit with an original maturity of three months or less are classified as cash and cash equivalents. Certificates of deposit maturing within one year of the balance sheet date have been reported as current assets, whereas certificates of deposit maturing subsequent to this date are classified as other assets.

#### (7) Investment Debt Securities

Debt securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for premium and accretion of discount, computed using methods that approximate the interest method, over the contractual lives.

Gains and losses realized on sales of investment debt securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the statements of income.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the statements of income.

# VALLEY RURAL UTILITY COMPANY

## Notes to Financial Statements December 31, 2023 and 2022

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment Debt Securities (Continued)

Expected credit losses on held-to-maturity debt securities are measured on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities was excluded from the estimate of credit losses. The government agency bonds held by the Company are highly rated by major rating agencies. As a result, no allowance for credit losses was recorded on held-to-maturity securities.

#### (8) Accounts Receivable and Uncollectible Accounts

Accounts receivable consists of trade accounts for the provision of water to customers. Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions, and reasonable and supportable forecasts that effect the collectibility of receivables from customers.

#### (9) Revenue Recognition

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Revenue is generated primarily from water, sewer, and gas services delivered to customers. These contracts contain a single performance obligation, the delivery of water, sewer, and/or gas services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct.

Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenue includes amounts billed to customers on a cycle basis. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

#### (10) Inventory

Inventory consists of materials and supplies to be used in future repairs or additions to Utility Plant, and is valued at the lower of cost (first-in, first-out) or net realizable value.

## VALLEY RURAL UTILITY COMPANY

### Notes to Financial Statements December 31, 2023 and 2022

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Contributions-in-Aid of Construction

This account represents a portion of the equity of the Company. Members are required to pay a tap-in fee for a meter when they are connected to the water system. The total cost of extending water lines is added to utility plant in service. The portion paid by the customer or by grant funds is credited to contributions-in-aid of construction. All water lines and attachments thereto are the property and responsibility of the Company.

(12) Sales Tax

The Company collects sales tax on all sales to nonexempt customers and remits the entire amount to the state. The net method of recording the collection and remittance of sales tax is used in the financial statements.

(13) Estimates

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

(14) Adoption of New Accounting Pronouncement

On January 1, 2023, the Company adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. There was no cumulative-effect adjustment required to the opening balance of Retained Earnings as the Company's method for providing an allowance for uncollectible accounts and held-to-maturity debt securities is substantially the same under Topic 326 as under previous accounting standards.

NOTE B. UTILITY PLANT IN SERVICE

Utility Plant in Service consisted of the following at December 31,

	<u>2023</u>	<u>2022</u>
Land and Land Rights	\$ 256,321	\$ 256,321
Gas System	3,129,289	3,111,999
Plant Structures and Equipment	15,844,741	15,754,054
Office Furniture and Equipment	200,152	200,152
Transportation Equipment	155,941	155,941
Total Utility Plant	<u>\$ 19,586,444</u>	<u>\$ 19,478,467</u>

**VALLEY RURAL UTILITY COMPANY**

**Notes to Financial Statements  
December 31, 2023 and 2022**

NOTE C. RESTRICTED FUNDS

The Company is required, through long-term debt agreements, to create and maintain certain reserves and cash accounts. The Company maintained the following accounts at December 31:

	2023	2022
Debt Service Reserve	\$ 671,979	\$ 663,931
Bond Sinking Fund	357,792	334,009
Total Restricted Funds	\$ 1,029,771	\$ 997,940

NOTE D. INVESTMENT DEBT SECURITIES - HELD TO MATURITY

The amortized cost and approximate fair values of held-to-maturity securities, by contractual maturity, were as follows at December 31:

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<u>Federal Agency Bonds</u>				
After One Year Through Two Years	\$ 482,907	\$ 481,138	\$ 680,747	\$ 659,042

NOTE E. ACCOUNTS RECEIVABLE AND CONTRACT BALANCES

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings, and cash collections. Contract assets are recorded when billing occurs subsequent to revenue recognition, and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, and are recognized as revenue when the associated performance obligations are satisfied. Contract assets and contract liabilities are both a component of Accounts Receivable, Net as shown on the Balance Sheets. Customer Accounts Receivable consisted of the following as of December 31:

	2023	2022
Customer Accounts Receivable - Billed	\$ 493,798	\$ 530,846
Contract Liabilities - Overpayments from Customers	(16,738)	(10,924)
Miscellaneous Receivables	118	383
Provision for Credit Losses	(22,900)	(26,455)
Total Accounts Receivable	\$ 454,278	\$ 493,850

## VALLEY RURAL UTILITY COMPANY

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE F. GAS SYSTEM - LONG-TERM OBLIGATION

Since 2003, UPL and Valley Rural Utility Company (VRUC) have had a contract that assigns ownership of the pipeline system to VRUC. UPL receives a portion of gas user fees. This assignment, effectively, is the sale of the pipeline system.

VRUC initially recorded the liability based on the present value of estimated future revenues from the gas system over 30 years. The portion of gas revenue related to transmission and service costs is being used as a repayment for the system. During 2014, the Company entered into an agreement with UPL to extend the contract fifteen years. At this time, it was determined that the interest rate related to repayment should be fixed, along with the payment amount. The liability is being amortized at a rate of 3.520% with an annual payment of \$158,700. Any excess revenue received will be applied towards principal until paid in full. At that time, this revenue will be paid to UPL as a throughput fee.

Estimated principal payments for the long-term obligation are as follows for the next five years:

2024	\$ 131,837
2025	\$ 136,479
2026	\$ 141,282
2027	\$ 146,255
2028	\$ 151,403

#### NOTE G. BONDS AND NOTES PAYABLE

On December 8, 2020, the Company issued a 30-year bond with a principal balance of \$11,385,000 with an initial interest rate of 2.000%. The bond is secured by all real and personal property, cash, revenue, accounts receivable, and inventory of the water and sewer utility. Interest and principal payments are to be made semi-annually. Interest rates will be modified as follows:

Modification Date	Interest Rate
7/1/2030	2.000%
7/1/2035	2.700%
7/1/2040	3.000%
7/1/2045	3.250%
7/1/2050	3.500%

Estimated principal payments for the bond obligation are as follows for the next five years:

2024	\$ 340,000
2025	\$ 345,000
2026	\$ 350,000
2027	\$ 360,000
2028	\$ 365,000

**VALLEY RURAL UTILITY COMPANY**

**Notes to Financial Statements  
December 31, 2023 and 2022**

BONDS AND NOTES PAYABLE (Continued)

The bond requires the Company to maintain a debt service reserve account balance of \$650,963. This debt service reserve was fully funded as of December 31, 2023. The bond is also subject to mandatory sinking fund redemption payments in accordance with the schedule in the trust indenture. The sinking fund requires annual deposits as follows for the next five years:

2024	\$ 650,963
2025	\$ 654,112
2026	\$ 652,112
2027	\$ 649,963
2028	\$ 652,713

When the bond was issued, the Company incurred additional costs of \$368,350. These bond issuance costs are to be amortized over the 30-year life of the bond. In 2023, \$12,239 in bond issuance costs were recognized in expense. As of December 31, 2023, unamortized bond issuance costs were \$330,491.

Long-term bond payable at December 31, 2023 consisted of the following:

Bond Payable	\$ 10,990,000
Less: Unamortized Bond Issuance Costs	<u>(330,491)</u>
Long-Term Bond Payable, Less Unamortized Issuance Costs	<u>\$ 10,659,509</u>

**NOTE H. REVENUE RECOGNITION**

The following table provides operating revenues from contracts with customers disaggregated for the year ended December 31:

	2023			
	Water Operations	Sewer Operations	Gas Operations	Total
Sales				
Residential	\$ 739,370	\$ 2,034,308	\$ 534,294	\$ 3,307,972
Commercial	15,638	20,518	-	36,156
Other Operating Revenue				
Late Fees	11,398	26,356	-	37,754
Availability Fees	49,080	32,973	-	82,053
Hydrant Fees	17,820	-	-	17,820
Connection Fees	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>1,450</u>
Total Operating Revenue	<u>\$ 834,756</u>	<u>\$ 2,114,155</u>	<u>\$ 534,294</u>	<u>\$ 3,483,205</u>



**VALLEY RURAL UTILITY COMPANY**

**Notes to Financial Statements  
December 31, 2023 and 2022**

REVENUE RECOGNITION (Continued)

	2022			
	Water Operations	Sewer Operations	Gas Operations	Total
Sales				
Residential	\$ 715,266	\$ 1,808,605	\$ 658,951	\$ 3,182,822
Commercial	15,587	16,578	-	32,165
Other Operating Revenue				
Late Fees	10,118	20,862	-	30,980
Availability Fees	49,538	29,723	-	79,261
Hydrant Fees	17,820	-	-	17,820
Connection Fees	1,775	-	-	1,775
Total Operating Revenue	<u>\$ 810,104</u>	<u>\$ 1,875,768</u>	<u>\$ 658,951</u>	<u>\$ 3,344,823</u>

NOTE I. RETIREMENT PLAN - DEFINED CONTRIBUTION

On January 1, 2002, the Company adopted a simplified employee pension plan for its employees. For employees to be eligible, they must be at least 21 years of age and have worked for the Company for at least one year. They may enter into the plan on January 1 or July 1. The employer will determine annually the percentage of contribution for eligible employees based on their compensation. The plan does not contain a salary deferral option for the employees. During 2023 and 2022, \$14,860 and \$10,762 were contributed to the plan by Valley Rural Utility Company, respectively.

NOTE J. CONCENTRATION OF CREDIT RISK

The Company maintains its cash and certificates of deposit at federally insured financial institutions. At times, such balances may be in excess of the FDIC insurance limit. At December 31, 2023, the Company's uninsured balance was approximately \$112,381.

Due to the nature of the Company's business, its customers are all in a concentrated geographic area. The Company is, therefore, subjected to a concentration of credit risk with respect to its receivables which are solely from those customers.

## VALLEY RURAL UTILITY COMPANY

### Notes to Financial Statements

December 31, 2023 and 2022

NOTE K. ECONOMIC DEPENDENCY AND COMMITMENT

Valley Rural Utility Company purchases 100% of the water it sells from Greendale and Tri-Township. If either Greendale or Tri-Township would happen to discontinue service for any reason, Valley Rural Utility Company would be required to find other means to supply water to its customers.

Valley Rural Utility Company also conveys all wastewater to Greendale for sewer treatment. If for any reason its services were discontinued, Valley Rural Utility Company would be required to find another entity to provide these services.

As explained in Note A(1), Valley Rural Utility Company has contracted with Utility Pipeline, Ltd. (UPL) to maintain and manage the distribution system for natural gas service to its customers. Valley Rural Utility Company will compensate UPL by distributing to them all revenues from the connection charges and rates and charges for natural gas service for the term of the management contract.

NOTE L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2024, which was the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**VALLEY RURAL UTILITY COMPANY**

**Supplementary Schedule of Operating Expenses  
For the Year Ended December 31, 2023**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
<b>Source of Supply</b>				
Purchased Water - Greendale	\$ 254,531	\$ -	\$ -	\$ 254,531
Purchased Water - Tri-Township	2,876	-	-	2,876
Purchased Gas	-	-	<u>286,705</u>	<u>286,705</u>
Total Source of Supply	257,407	-	286,705	544,112
<b>Plant Expenses</b>				
Land Restoration	50,957	3,319	-	54,276
Salary and Wages	230,118	231,485	-	461,603
Utilities	39,289	72,542	-	111,831
Automobile Expense	5,937	17,812	-	23,749
Repair and Maintenance	44,903	52,221	-	97,124
Office Supplies	11,780	33,980	-	45,760
Chemicals	-	3,014	-	3,014
Sewer Treatments	-	600,613	-	600,613
Water/Sewer System Repair	29,744	20,257	-	50,001
Water Testing	2,781	-	-	2,781
Permits	1,064	6,064	-	7,128
Equipment Rental	499	<u>1,496</u>	-	<u>1,995</u>
Total Plant Expenses	417,072	1,042,803	-	1,459,875
<b>Administrative Expenses</b>				
Education	2,211	150	-	2,361
Miscellaneous	7,025	11,521	-	18,546
Professional Services	11,303	23,994	-	35,297
Insurance	54,644	71,217	-	125,861
Service Charges	11	32	-	43
Total Administrative Expenses	75,194	106,914	-	182,108
<b>Depreciation</b>	<u>63,653</u>	<u>376,453</u>	<u>104,309</u>	<u>544,415</u>
<b>Total Operating Expenses</b>	<u>\$ 813,326</u>	<u>\$ 1,526,170</u>	<u>\$ 391,014</u>	<u>\$ 2,730,510</u>

**VALLEY RURAL UTILITY COMPANY**

**Supplementary Schedule of Operating Expenses  
For the Year Ended December 31, 2022**

	<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Total</b>
<b>Source of Supply</b>				
Purchased Water - Greendale	\$ 212,633	\$ -	\$ -	\$ 212,633
Purchased Water - Tri-Township	7,447	-	-	7,447
Purchased Gas	-	-	402,355	402,355
Total Source of Supply	220,080	-	402,355	622,435
<b>Plant Expenses</b>				
Land Restoration	18,000	4,031	-	22,031
Salary and Wages	206,374	206,483	-	412,857
Utilities	35,436	74,051	-	109,487
Automobile Expense	4,807	13,628	-	18,435
Repair and Maintenance	46,554	69,842	-	116,396
Office Supplies	9,674	26,017	-	35,691
Chemicals	-	5,341	-	5,341
Sewer Treatments	-	422,086	-	422,086
Water/Sewer System Repair	42,029	4,763	-	46,792
Water Testing	2,801	-	-	2,801
Permits	2,962	9,365	-	12,327
Total Plant Expenses	368,637	835,607	-	1,204,244
<b>Administrative Expenses</b>				
Education	1,957	23	-	1,980
Miscellaneous	4,822	10,567	-	15,389
Professional Services	6,871	20,614	-	27,485
Insurance	35,863	50,448	-	86,311
Service Charges	29	86	-	115
Total Administrative Expenses	49,542	81,738	-	131,280
<b>Depreciation</b>	68,012	370,229	103,733	541,974
<b>Total Operating Expenses</b>	\$ 706,271	\$ 1,287,574	\$ 506,088	\$ 2,499,933