2021 LOUISVILLE WATER ANNUAL REPORT

AT YOUR SERVICE

Louisville Water

2021 LOUISVILLE WATER ANNUAL REPORT

QUALITY WATER...QUALITY OF LIFE

Every day, nearly one million people depend on Louisville Water Company to provide safe, high-quality drinking water that we're proud to deliver. Louisville Water has a 161-year history of quality, innovation, value, and service. The company began operations in 1860 as Kentucky's first public water provider and today supplies water and fire protection to communities in Louisville Metro and parts of Bullitt, Hardin, Nelson, Oldham, Shelby and Spencer counties.

BY THE NUMBERS

0	Water quality violations (15 consecutive years)
123	Million gallons per day, average daily delivery of Louisville Pure Tap®
4,259	Miles of water main in the system
16	Miles of new water main installed
611	Main breaks
24,817	Fire hydrants
53,763	Valves
33.5	Billion gallons sold
$196	Million in water sales
$24.91	Average residential bill for 4,000 gallons
$9	Million in customer assistance through Drops of Kindness
96,000	People reached through education & outreach
15	New Branded Bottle Filling Stations

CONTENTS

Louisville Water Company is an Equal Opportunity Employer. All qualified applicants receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, or protected veteran status, and will not be discriminated against on the basis of disability.

2021 PRESIDENT'S MESSAGE

Spencer Bruce,
President & CEO

I am proud to share Louisville Water Company's 2021 Annual Report. There's an emphasis on people in this report. I'll start with one million people. That's how many people in the Louisville region use our drinking water daily. As an anchor for quality of life and economic vibrancy, Louisville Water excelled in 2021 to deliver outstanding service and some of the highest-quality and reliable drinking water in the United States.

We operated in 2021 with the COVID-19 pandemic continuing to impact our community and our employees. Our leadership worked tirelessly to provide a safe and healthy environment for employees and that included pivoting from our plans, often daily and weekly. Our core mission has not changed but how we manage some of business functions look different. We continue to modify the work environment with a focus on culture.

LOUISVILLE WATER MISSION

Provide the highest quality water and related services through dedicated employees who deliver exceptional value to our customers, shareholder, and the communities we serve.

LOUISVILLE WATER VISION

Louisville Water will lead the industry with superior quality, service, innovation, and value.

In our community, the pandemic highlighted the struggle for thousands of people to afford their water service. In a stressful time, an unpaid bill should not leave someone in a bind. Our Drops of Kindness[SM] program gave more than 20,000 customers help on their water bill. I'm proud that we distributed more than $9 million in grants and one-time credits, an amazing show of support for our community. This experience pushed us to look differently at our role in an individual's ability to manage their monthly bills. In 2022 we will start on an affordability roadmap with long-term goals.

2021 was also a year of milestones for Louisville Water. We executed a capital campaign with the lowest number of change orders on record and began replacing another of the oldest stretch of water mains in our system. We saw a rebound in water sales from the pandemic in commercial and industrial customers and our economic development efforts helped lure a large water user to locate in Louisville. Additionally, we celebrated with our regional water partners on a $5.8 billion investment from Ford Motor to build twin battery plants in Hardin County. This announcement is transformational for the region and will require focused coordination to ensure water supply needs into the future.

2021 was also a year of financial recovery from the pandemic. We sold 33.5 billion gallons of water in 2021 and provided our owner, Louisville Metro a dividend of $20.2 million.

Research shows customers use these top four attributes in describing Louisville Water: quality, reliable, community-focused, and trustworthy. Our work in 2021 supports those attributes and I am proud to lead Louisville Water into the future.

2021 WATER QUALITY

QUALITY THAT EXCELS

Louisville is known for its great-tasting and high-quality drinking water and performance in 2021 supports that reputation. Louisville Water meets all drinking water regulations, and our two treatment plants continue to rank as two of the top 19 in North America for outstanding water quality. This status comes from the Partnership for Safe Water which also recognized Louisville Water for 10 consecutive years of “excellence in water treatment” at the B.E. Payne Treatment Plant.

There were no water quality violations in 2021 and the 68 customer water quality concerns were 38% below the five-year average.

MAINTAINING KENTUCKY’S LARGEST AND OLDEST WATER TREATMENT FACILITY

The Crescent Hill Water Treatment Plant opened in 1909 and maintaining and improving this critical asset requires a continual focus. An important function of the plant is filtering the water as it moves through the treatment process and in 2021 work was underway to replace some of the aging filter media and close areas that are no longer needed for production. This project also has an employee benefit as we expand and renovate office space. This work continues through 2022.

It takes power and lots of it to deliver millions of gallons of drinking water. In 2021, we completed construction of standby power generation facilities at the Crescent Hill Plant and at the Zorn Avenue Pumping Stations. In the event of a large electrical outage, these standby facilities allow us to deliver water without a disruption.

DELIVERING SAFE DRINKING WATER

The Environmental Protection Agency has finalized revisions to its Lead and Copper Rule where regulations minimize the risk of lead to enter the drinking water. While Louisville Water has eliminated its known lead lines, the revised rule includes measures to eliminate lead pipes on the customer’s side and increase communication and education on lead. In 2021, Louisville Water formed a cross-functional team to develop a comprehensive plan to ensure compliance when the rule takes effect in 2024.

*LOUISVILLE WATER RANKS IN THE **TOP 7%** IN A NATIONWIDE SURVEY AMONG LARGE WATER UTILITIES FOR **WATER QUALITY.***

*CUSTOMERS RANK LOUISVILLE’S WATER QUALITY AS EXCELLENT WITH A SCORE OF **8.7 OUT OF 10.***

*WHEN ASKED TO DESCRIBE LOUISVILLE’S DRINKING WATER, CUSTOMERS CHOSE **“QUALITY, RELIABLE AND BEST-TASTING”** AS HALLMARK VALUES.*

2021 WATER QUALITY

At the same time, we continue to offer help to customers who have a private lead service line, offering a 50/50 match up to $1,500 for replacement and using funds from the Louisville Water Foundation for individuals who meet income requirements. At the end of 2021, 58 of the estimated 800 customers with a private lead service line had participated in the program. Louisville Water offers free lead testing for any customer.

Construction is underway for a chlorine dioxide feeding system at the B.E. Payne Water Treatment Plant that will provide an additional layer of water quality protection. Chlorine dioxide is a form of chlorine that is used for disinfection and helps ensure the water quality as it travels through water mains in the distribution system. The system goes on-line in the summer of 2022.

Left to Right: Plant Maintenance Mechanics Kenny Beckum, John Booher and Clayton Reesor • Scientist 1 Nicole Tremblay

2021 INFRASTRUCTURE INVESTMENTS

STRATEGIC INVESTMENTS

***$94** MILLION CAPITAL EXPENDITURES*

***18** PROJECTS TO REPLACE OR REPAIR WATER MAINS*

A STRATEGIC FOCUS

In 2021, Louisville Water invested just over $94 million in its infrastructure and careful planning ensured there were only 0.4-percent change orders in the capital budget, an amazing accomplishment.

Maintaining the systems that produce and deliver Louisville's drinking water requires long-range planning. In 2021, the Board of Water Works accepted the 2021-2040 Comprehensive Facilities Plan that outlines capital investment priorities in core business functions. Additionally, the Board also approved the Biennial Inspection Report. This third-party engineering audit of our primary water production and distribution facilities found that Louisville Water's system is well-maintained and in solid operating condition.

Infrastructure investment also includes the technology that keeps computer operating systems safe from intrusion. Staff completed disaster recovery testing which enables continuous business operations in case of unplanned events at our primary server host location. Additionally, we invested in improved security for cyberattacks and upgraded most applications and systems that support customer service.

REPLACING A 145-YEAR-OLD ASSET

In the summer, we began replacing one of Louisville Water's oldest water mains, a 36-diameter pipe that was installed in 1877 along Frankfort Avenue. The work happens near the Crescent Hill Water Treatment Plant and right in the heart of a vibrant, historic neighborhood. Crews are installing 60-inch and 42-inch water mains to provide an additional supply of drinking water from the plant. Engineering and Communication teams have worked with neighbors, schools, and businesses along the route for detours and accommodations. The project continues through the fall of 2022.

MILES AND MILES OF PIPE

Louisville Water has a goal of reducing the number of water main breaks to less than 15 per 100 miles of pipe and we once again achieved that in 2021 with a rate of 14.3. That success is possible because of an annual investment in our Main Replacement and Rehabilitation Program where engineers use data to determine which pipes require attention. We invested $25 million in this program and bid 18 replacement or rehabilitation projects.

2021 INFRASTRUCTURE INVESTMENTS

LEFT TO RIGHT: Installing new water main on Frankfort Avenue • The original 1877 Frankfort Avenue pipe • Inspectors Dennis Pike and Tony Gatof inspect a new main • Governor Andy Beshear presents funding to Louisville Water.

FEDERAL INVESTMENT FOR A LOCAL IMPACT

A boost of funding will help Louisville Water with its infrastructure investment. We were proud to accept a commitment of $8.3 million from Kentucky's Cleaner Water Program, funded by the American Rescue Plan Act. We will use the funds for projects in Jefferson, Bullitt and Oldham Counties.

In Jefferson County, $7 million will go towards two projects. The first will replace more than 1.4 miles of cast iron water main along West Muhammad Ali Street. The second project will replace a water main installed in 1892 along Oak Street in Louisville. This 48-inch diameter pipe is part of our transmission system that takes water from the Crescent Hill Plant to downtown and the southern parts of the service area. This multi-year plan will replace 3.8 miles of pipe and the state award covers about one-third of the project.

State funding will also help Louisville Water bring drinking water service to some rural areas. In Bullitt County, nearly two dozen homeowners will finally have access to public drinking water, thanks to $601,010 in funding for two projects. We will use these funds to install a water main along John Lee Road and another one on Eagles Road. And in Oldham County, Louisville Water will receive $736,000 in funding for a project that will extend water service to seven properties along South Highway 1694.

DROPS OF KINDNESS
HELP TO MORE THAN
***20,000** CUSTOMERS*

***$9** MILLION IN*
ASSISTANCE

DROPS OF KINDNESS℠

As our community continued to struggle during the pandemic, Louisville Water made sure an unpaid bill did not leave customers in a bind. Through Drops of Kindness, our assistance program with the Louisville Water Foundation and Louisville MSD, thousands of customers received help with their water bill.

The largest assistance came from a collaboration with Louisville Metro to distribute $6.5 million for one-time credits on outstanding balances. A cross-departmental team quickly worked with a vendor to create an online portal where customers could apply and receive the credit. An integrated communications effort worked; we provided nearly $1 million of the credits in the first week.

Throughout 2021, Drops of Kindness provided help with grants from the Louisville Water Foundation to community agencies. Staff also helped launch a new federal assistance program and establish payment plans outside of the water bill. This help was important as we resumed more

LEFT TO RIGHT: Customer Service Representative Qiana Roberson • Olympic swimmers with Louisville Pure Tap • Education at soccer camp • Meter Specialist Clarence Collins stands in front of the refreshed Pure Tap logo..

normal business operations in summer 2021 and after 15 months, began disconnecting water service for unpaid bills when a customer had taken no action.

The pandemic has changed how we look at affordability and in 2021 Louisville Water and MSD joined seven U.S. cities in analyzing the utility's role in customer assistance. The project with the U.S. Water Alliance culminates in 2022 and we have decided to continue the effort and develop a long-term affordability roadmap.

IMPROVING THE CUSTOMER EXPERIENCE

Louisville Water is in the second year of an advanced metering project for Jefferson County that includes meter exchanges, a transition to monthly billing and an improved customer portal. By December, we had installed more than 73,000 meter devices and shifted 28,000 Jefferson County customers to monthly billing. This change will help our customers with budgeting and brings us in line with other utility providers. We plan to move another 50,000 accounts to monthly billing in 2022.

In December, we launched Pure Connect, a new customer portal. Incorporating consumer research, the portal is an easier way to view and pay the bill and sign-up for alerts on abnormal usage. Customers who have an advanced meter can also access detailed daily water usage.

EDUCATION & OUTREACH

PROGRAMMING TO
80 SCHOOLS & 25 COMMUNITY
ORGANIZATIONS

MORE THAN TWO-THIRDS OF CUSTOMERS IN A LOCAL SURVEY SAY THEY
MISS LOUISVILLE PURE TAP TASTE
AND QUALITY WHEN THEY TRAVEL

A REFRESH FOR LOUISVILLE PURE TAP®

Louisville Water's trademarked drinking water, Louisville Pure Tap has an updated look. The refreshed logo better aligns the connection to Louisville Water and stems from research that shows 75 percent of those surveyed associate Pure Tap with Louisville Water. In 1997, Louisville Water became the first utility to trademark its drinking water to highlight the quality of our product. Throughout the years, the logo has evolved to match the marketing strategy.

SHARING THE STORY OF LOUISVILLE PURE TAP

Thousands of people learn the story of Louisville's drinking water with events and education and by just having a drink!

Louisville Pure Tap was served at more than 60 community events and two Louisville-based Olympic bound swimmers took part in a campaign to endorse the quality and taste of Pure Tap. Education is foundational in our outreach, and we visited with more than 100 schools and community organizations either in-person, at the WaterWorks Museum or virtually. During the COVID-19 pandemic, staff developed virtual lessons on hand washing, filtration of water, and the water treatment process. The shift in our delivery allows us to reach a wider audience while maintaining the core values of our programming.

SAFETY PERFORMANCE

2.49.OSHA RECORDABLE RATE

12 .OSHA RECORDABLES

965,045.HOURS WORKED

0.84.PREVENTABLE MOTOR VEHICLE ACCIDENT RATE

15.PREVENTABLE MOTOR VEHICLE ACCIDENTS

1,792,275.MILES DRIVEN

TRAINING & DEVELOPMENT

445 EMPLOYEES
MORE THAN
2,450 HOURS
OF TRAINING

KEEPING EMPLOYEES SAFE IN THE PANDEMIC

For the second year, the COVID-19 pandemic created challenges in how we work but more importantly how we manage our employees' wellbeing. Our commitment to health and safety remained a priority as we implemented public health organization guidelines along with a paid pandemic leave for employees who contracted or were exposed to the virus. Then, as vaccines became available, we offered an incentive program to encourage participation. In the summer, an "Employee Appreciation Week" celebrated the contributions in 2020 and 2021 to produce and deliver safe drinking water during the pandemic.

While COVID-19 did not change our mission of producing and delivering safe drinking water, the pandemic did change how we do certain business functions. Prior to 2020, Louisville Water did not routinely offer remote work. Now, for certain positions, a hybrid work schedule is available. This is an important recruitment tool, but our business is one where many jobs cannot be remote. Maintaining our company's culture is a priority as we adjust to a new work environment

A FOCUS ON SAFETY

Despite challenges raised in the pandemic, Louisville Water continued its strong safety performance in 2021. The recordable rate for Occupational Safety and Health Administration (OSHA) incidents continues to be below the industry average. Safety themes were developed for each month and included a March Madness competition and a safety scavenger hunt. All employees received safety glasses for the office and home in a "keep your eye on safety" initiative.

ATTRACTING EMPLOYEES AND IMPROVING THE EMPLOYEE EXPERIENCE

With more than 440 employees working in a variety of positions and settings, it's important we offer the best experience. Being an "employer of choice" is a priority for Louisville Water. In 2021, our Human Resources department fully automated our benefits process. And while this was important during the COVID environment, it's a process that will continue. Working at Louisville Water now includes new benefits: a company holiday for Juneteenth and a personal floating holiday plus ten days of paid leave for new parents. Additionally, we offered COVID appreciation awards to employees.

LEFT TO RIGHT: Employee Appreciation Week at B.E. Payne Plant • Caden Gunn is the recipient of the first annual Thomas Family Scholarship

Employees who come to Louisville Water now get an improved orientation that includes spending a day with the executive leadership. This first impression of the company is important, but it starts before an offer is made. In 2021, Louisville Water continued to sponsor heavy construction training classes and work readiness training through the Louisville Urban League and our involvement in Jefferson County Public School's Vocational Academy at two high schools exposes students to vocational opportunities.

DIVERSITY, EQUITY AND INCLUSION

Louisville Water believes and is committed to an equal opportunity for all employees, a culture of trust and diversity and a welcoming environment where everyone has a sense of belonging. With our diversity, equity and inclusion initiative, we want to develop an inclusive culture that maximizes diversity of talent at all levels and celebrates the uniqueness in our community.

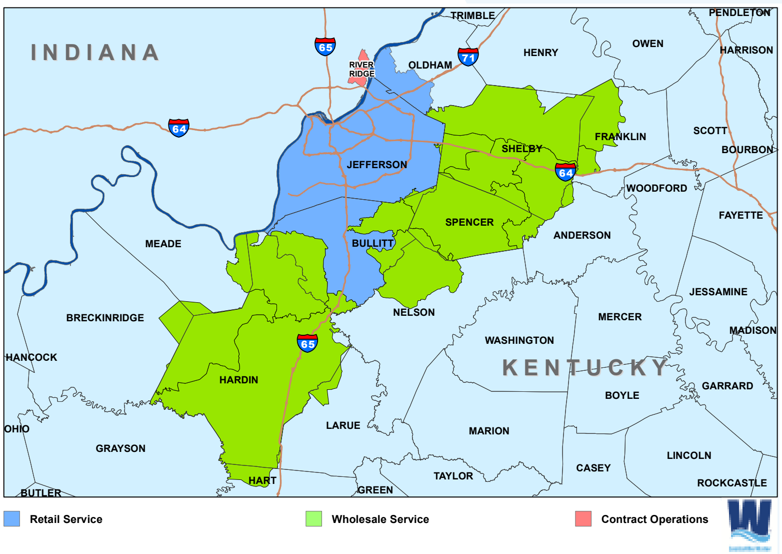
It's important to weave inclusion throughout our company and in 2021 this included company-wide training and one-on-one coaching, recognition of cultural and heritage occasions, and community collaborations. We also established a scholarship to recognize the importance of education while acknowledging our history. Caden Gunn is the first recipient of the "Thomas Family Scholarship." Caden received a $10,000 scholarship that is named for Louisville Water's first known African American employees: the Thomas family. Three members of the Thomas family worked at Louisville Water in the late 1800s to early 1900s. Louisville Water partners with the Youth Black Achievers Program to manage the scholarship and a team of our employees review applications and select the recipient.

REGIONAL COLLABORATIONS & ECONOMIC DEVELOPMENT

Our water is linked to growth in the region, and in 2021 we saw record results in the number of economic development requests coming to Louisville Water. Thirty-two existing or prospective businesses collaborated with staff on locating or growing in our retail service area of Bullitt, Oldham and Jefferson Counties. The largest project was with House Foods America, a California-based tofu company that will build its first midwest plant in Louisville.

Food and beverage are an important category for water sales, and we continue to see steady growth with the nearly 20 bourbon distillers who use Louisville Water in their production. To grow our partnership with distillers, Louisville Water accepted an invitation to join the Kentucky Distillers Association.

Several bourbon distillers are outside Louisville Metro where we sell water to regional partners. The growth of the bourbon industry in Nelson County created a new partnership with the city of Bardstown where we are working with an existing wholesale partner, North Nelson Water District, on a plan to jointly supply water to Bardstown.



Louisville Water has nine wholesale partners who provide service in seven counties, including Hardin County. In 2021 one of the biggest regional economic development announcements in recent Kentucky history happened in Hardin County. Ford Motor will build twin battery manufacturing plants for electric vehicles at a mega-site in Glendale served by Hardin County Water District No. 2, a wholesale partner. This $5.8 billion announcement equates to 5,000 jobs and will be transformational for the region. We are working closely with both Hardin County Water Districts, Bullitt County, Bardstown, Nelson County and Meade County on added infrastructure to support the expected growth in regional water demands.

Louisville Water's operating partnership in southern Indiana with River Ridge Development Authority continues to thrive. We renewed our operating agreement in 2021, marking more than 10 years of contract operations. Since 2011, water sales at the commerce center have increased from 110,000 gallons a day to nearly 1.1 million gallons a day. At the same time, water loss has decreased from 81 percent to 6 percent.

INNOVATIVE PRODUCTS AND SERVICES

Louisville Water's Strategic Business unit continues to grow our focus on developing and launching new products and services. The first product to market is a leak protection plan that covers the excess charges on a water bill from a qualifying leak. WaterPro Water Leak Protection Plan℠ launched to a small group of customers with the choice to add the protection to their bill. We developed the product following research with customers who contact us with a higher-than-normal bill from a leak.

This product is in addition to the home repair program offered to our customers through HomeServe USA. This program continues to see strong growth with 17,000 repairs made in 2021 with customers who have a protection plan for their interior or external plumbing. The HomeServe partnership grew by 6.8% in 2021 with revenue of $3.8 million.

ONE WATER PARTNERSHIP

In the One Water partnership with Louisville MSD, employee teams find ways to improve the customer experience and drive revenue growth. Under the Drops of Kindness℠ program, Louisville Water and MSD started a lasting community conversation on water affordability. The effort started with participation in a US Water Alliance project with seven other cities and continued with a half-day think session with community representatives. Based on this work, Louisville Water and MSD have decided to develop a long-term affordability roadmap that kicks off in 2022.

Louisville Water and MSD charges appear on one customer bill and in 2021 we successfully negotiated and signed a new billing services agreement that extends the contract through 2027. Additionally, a new system to manage the fleet services for Louisville Water and MSD went on-line in 2021 and we collaborated on local, state and federal funding opportunities for infrastructure and affordability.

BUSINESS IMPACT AWARD

Louisville Business First honored Louisville Water with one of its 2021 Business Impact Awards.

The award recognizes our response to the COVID-19 pandemic and a reaffirmed commitment to a diverse, inclusive, and equitable organization.

Louisville Water was one of six businesses to receive the honor from the regional business publication.

CHAIR, AMERICAN WATER WORKS ASSOCIATION PUBLIC AFFAIRS COUNCIL

Kelley Dearing Smith, Vice President of Communications and Marketing was elected as Chair of the American Water Works Association (AWWA) Public Affairs Council. In a three-year term, Smith will help guide best-practices for communications in the industry and will sit on AWWA's Executive Committee.

Founded in 1881, AWWA is the largest organization of water supply professionals in the world. Its membership includes 51,000 professionals in the water industry along with 4,300 utilities that supply 80 percent of the nation's drinking water.

GEORGE WARREN FULLER AWARD

Scott Clark, an Advanced Metering Infrastructure Analyst for Louisville Water received the 2020 George Warren Fuller Award for the Kentucky/Tennessee Section of AWWA (presented in 2021 due to the COVID-19 pandemic).

LEFT TO RIGHT: President and CEO Spencer Bruce accepts the 2021 Business Impact award. • Kelley Dearing Smith elected chair of AWWA Public Affairs Council

LEFT TO RIGHT: Scott Clark, Fuller award recipient • Larry Bryant, Kentucky Labor Management award recipient

George Warren Fuller Awards are presented annually by AWWA to honor individuals for “their distinguished service to the water supply field in commemoration of the sound engineering skill, the brilliant diplomatic talent, and the constructive leadership which characterized the life of George Warren Fuller.”

KENTUCKY LABOR MANAGEMENT AWARD

Larry Bryant, Director of Production Operations received the 2021 Kentucky Labor-Management Award. The award recognizes a leader who promotes cooperative partnerships with labor and management.

Nearly 40 percent of Louisville Water’s employees are members of ASFME Local 1683 (American Federation of State, Federal and Municipal Employees) and two members of the Local nominated Bryant.

Bryant was awarded $1,000 to give to a charity of his choice, which he donated to the Jimmy Stone Memorial Locker Room Project, a charity created in memory of employee Jimmy Stone who was killed while working at a job site in July 2019.

2021 COMMUNITY ENGAGEMENT

COMMUNITY ENGAGEMENT

***3,234** VOLUNTEER HOURS*

***130** ORGANIZATIONS*

***7.3%** INCREASE*

Quality water equals quality of life. At Louisville Water we value being part of our community and collaborating with others to make it a better place.

In 2021, employees volunteered at more than 130 organizations ranging from industry associations, non-profits linked to our mission, and community organizations that improve Louisville's quality of life.

Employees donate their time, talent, and money. The Combined Giving Campaign, an annual opportunity for payroll and one-time donations raised $136,400 for four selected charities: Metro United Way, Fund for the Arts, Louisville Water Foundation and Water for People.

DR. RENGAO SONG SCHOLARSHIP

Louisville Water and the Kentucky/Tennessee Section of the American Water Works Association partnered to honor Dr. Rengao Song with a scholarship in his name to support graduate students who embody his spirit of innovation and excellence in water quality.

Dr. Song, who is considered an industry icon, retired from Louisville Water in October 2020 as the Director of Water Quality and Research after more than 20 years with our company. Dr. Song and his team have received numerous awards and accolades, including the 2020 Samuel Arnold Greeley Award, the most prestigious research paper award presented by the American Society of Civil Engineers.

Rachel Kaiser is the first recipient of the $10,000 scholarship. Kaiser is a Ph.D. candidate studying Environmental Science at Tennessee Tech University.

WESTERN KENTUCKY TORNADO RELIEF

On December, 10 a violent tornado created a path of destruction and death throughout parts of western Kentucky. The horrific storm traveled 165 miles killing 11 people, injuring dozens, and destroying an estimated 1,300 homes and businesses. An amazing show of support from across the United States started the relief to recover and rebuild.

Shortly after the tornado, Louisville Water donated $50,000 for relief efforts. A team of employees will identify and work with organizations in western Kentucky to distribute the funding. Our hope is this contribution helps fill gaps from the federal and state funding.

Additionally, employees collected and distributed personal care items in western Kentucky, donated to the Team Kentucky relief fund and offered standby technical support to impacted water utilities.

The Louisville Water Foundation, the philanthropic charity of our company donated $10,000 to the Team Kentucky Fund and contributed to WaterStep, a Louisville-based charity for emergency water service.

2021 FINANCIAL VIABILITY

Louisville Water's financial performance in 2021 reflected substantial recovery from the impact of the COVID-19 pandemic, with significant increases in water consumption and other operating revenue. Cost reductions implemented in response to the pandemic in 2020 carried forward into 2021 and contributed to the overall strong financial results. Net income increased by $17.3 million (a 52.4 percent increase). Total shareholder value provided to Louisville Metro through the dividend and free water service also improved, totaling $40 million, as compared to $36.9 million in 2020.

Water consumption was 33.5 billion gallons in 2021, an increase of 5.4 percent over 2020 which brought us back to pre-pandemic levels. Commercial and industrial water consumption, the customer categories most affected by the pandemic, both gained 3.4 percent over 2020 levels. Wholesale water sales were extremely strong in 2021, growing by 37 percent. Wholesale water sales and alternative lines of revenue are a key strategy to combat ongoing declines in retail water consumption. In 2021, other operating revenue increased by 4 percent. The resumption of late fees which were suspended in 2020 in the COVID-19 crisis were a key factor in this growth.

Operating expenses were down 2.1 percent in 2021 as compared to the prior year as a result of a decline in expense related to pension and other post-retirement benefits. This decline was partially offset by an increase in operating and maintenance expenses, depreciation expense and the cost of providing water and fire service in lieu of taxes. The overall increase in operating and maintenance expenses of 1.4 percent was smaller than historical averages. This was a result of the pandemic cost reductions in 2020 that continued into 2021.

In 2021, Louisville Water invested $94.4 million in our infrastructure and technology. The top three projects accounted for 23 percent of capital funds spent: the advanced metering project, the rehabilitation of the north and south filter galleries at the Crescent Hill Water Treatment Plant and the replacement of a water main along Frankfort Avenue. In 2022 we have a capital program budget of $111.9 million and nearly three quarters is devoted to infrastructure renewal.

We anticipate the recovery of water and other revenues will continue during 2022, though the state of the economy could affect our performance. As we manage through the coming year, we will monitor economic factors, particularly inflationary pressure and if needed, take appropriate steps to continue our strong financial performance. Louisville Water is focused on growing our business through regional partnerships and innovation to grow our long-term financial viability.

HISTORICAL REVIEW

(000s)	2017	2018	2019	2020	2021
Water Revenue	$ 167,862	$ 175,029	$ 182,053	$ 183,839	$ 195,962
Other Operating Revenue	$ 16,703	$ 16,929	$ 18,315	$ 17,913	$ 18,638
Operating Expenses*	$ 130,474	$ 137,624	$ 145,829	$ 152,534	$ 156,799
GASB 68/75 Pension/OPEB Actuarial Adjustment	$ 7,889	$ 8,531	$ 10,467	$ 10,361	$ 2,657
Net Non-Operating Expenses	$ (7,296)	$ (4,751)	$ (5,458)	$ (5,813)	$ (4,795)
Net Income before Distributions and Contributions	$ 38,906	$ 41,052	$ 38,614	$ 33,044	$ 50,349

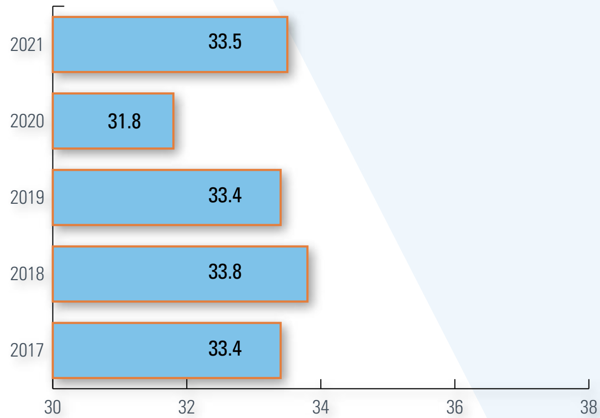
Does not include GASB 68/75 Pension/OPEB Actuarial Adjustment

OPERATIONS

(amount in millions of gallons)	2017	2018	2019	2020	2021
Water Delivered to Mains (Net System Delivery)	42,723	43,570	43,623	42,523	44,946
Average Daily Pumpage	117	119	119	116	123
Maximum Daily Pumpage	161	152	159	147	161
Percent of Water Metered	79%	78%	77%	75%	76%

TOTAL CONSUMPTION

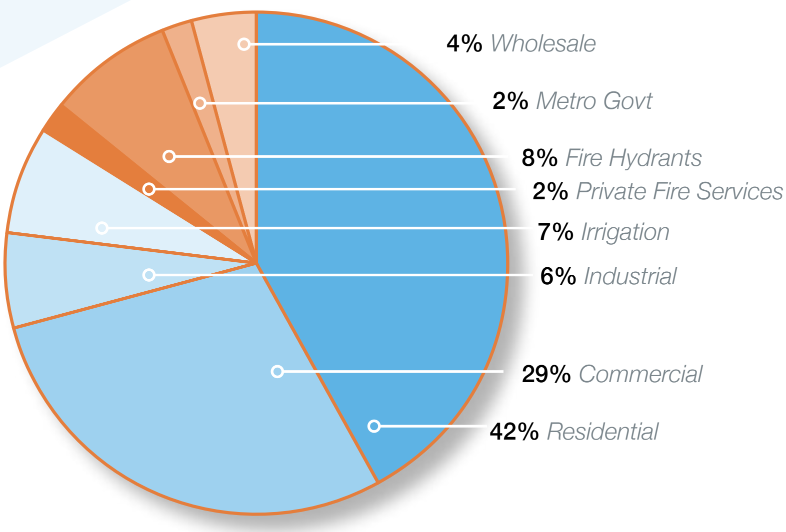
(in billion gallons)



SALE OF WATER

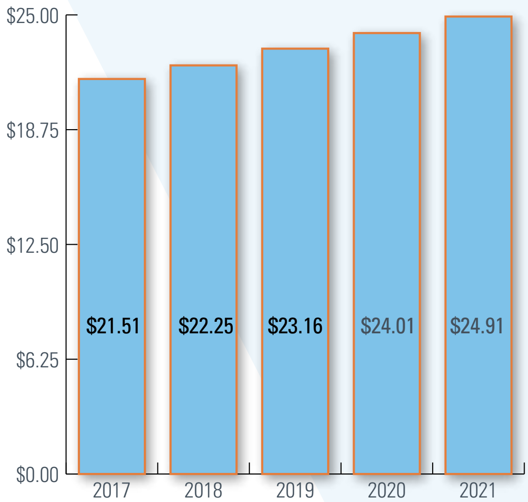
	Number of customers at December 31		Consumption - ytd gallons (000s)		Revenue - ytd (in 000s)	
	2021	2020	2021	2020	2021	2020
Residential	257,083	255,571	12,511,872	12,540,650	$ 81,619	$ 78,955
Commercial	23,498	23,404	11,255,019	10,884,664	56,504	52,933
Industrial	443	436	3,372,248	3,262,518	12,182	11,501
Irrigation	13,686	13,164	2,003,808	1,832,614	13,371	12,053
Fire Services	4,773	4,731	51,460	51,874	3,975	3,795
Wholesale	9	9	3,449,690	2,523,463	8,588	6,196
Total	299,492	297,315	32,644,097	31,095,783	176,239	165,433
Public Fire Hydrants	24,817	24,695	-	-	15,976	15,358
Metro Govt	634	636	838,472	675,620	3,747	3,048
Total	25,451	25,331	838,472	675,620	19,723	18,406
Grand Totals	324,943	322,646	33,482,569	31,771,403	$ 195,962	$ 183,839

2021 WATER REVENUE



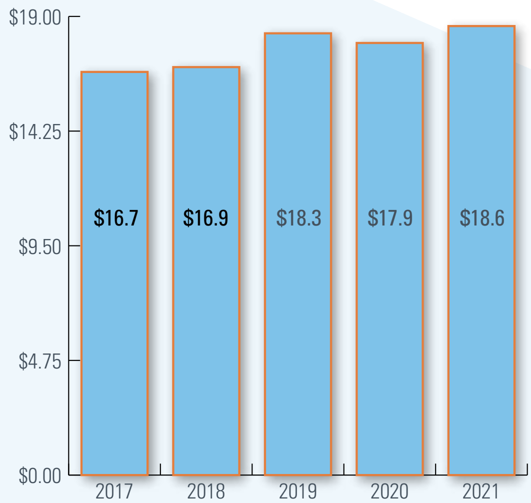
AVERAGE RESIDENTIAL MONTHLY WATER BILL

(based upon average usage of 4,000 gallons per month)



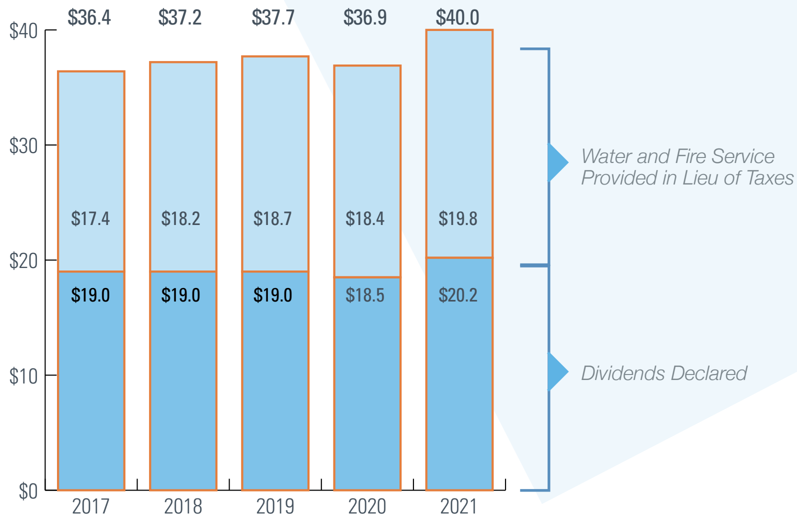
OTHER OPERATING REVENUE

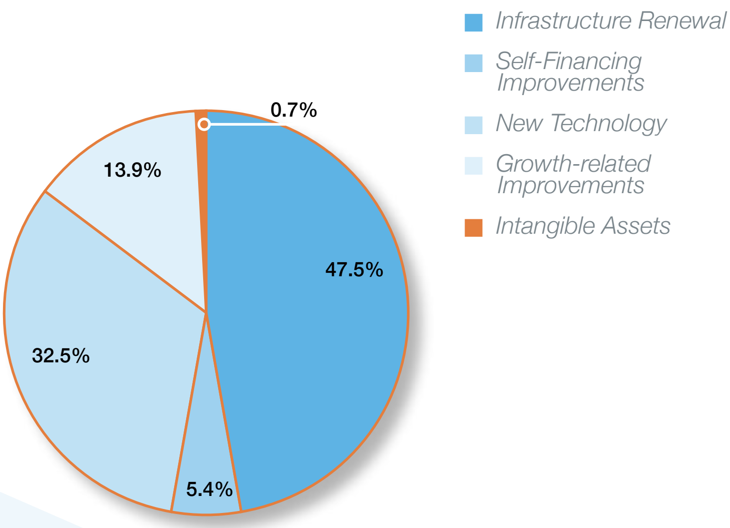
(in millions)



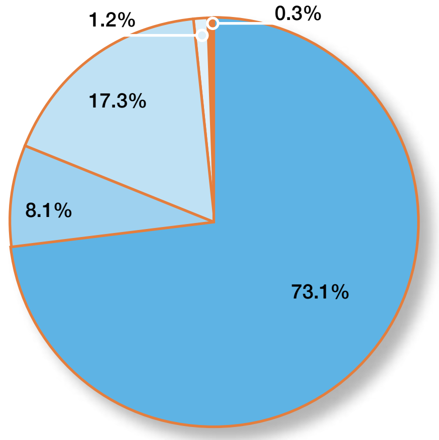
TOTAL CONTRIBUTIONS TO LOUISVILLE METRO

(in millions)





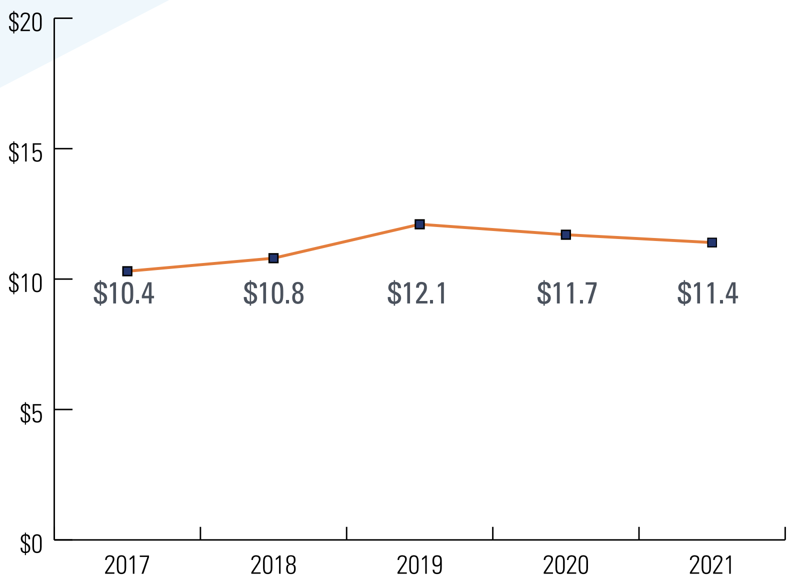
2021 CAPITAL IMPROVEMENT PLAN



2022 CAPITAL IMPROVEMENT PLAN

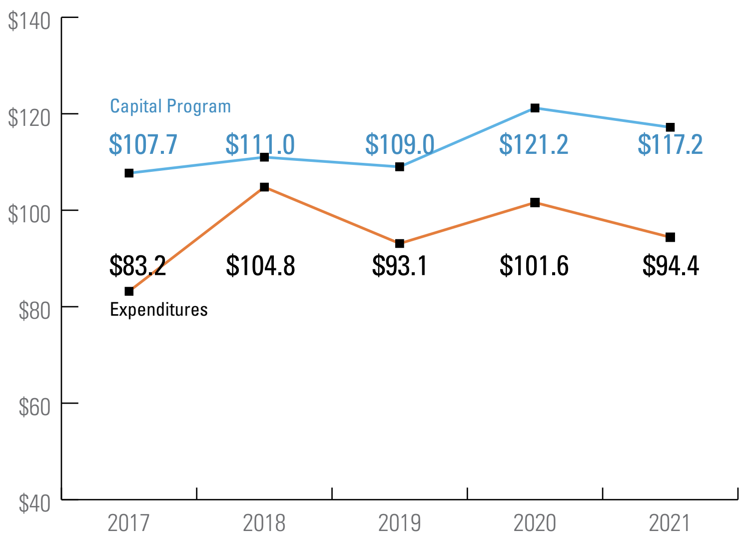
CONTRIBUTIONS IN AID OF CONSTRUCTION

(in millions)



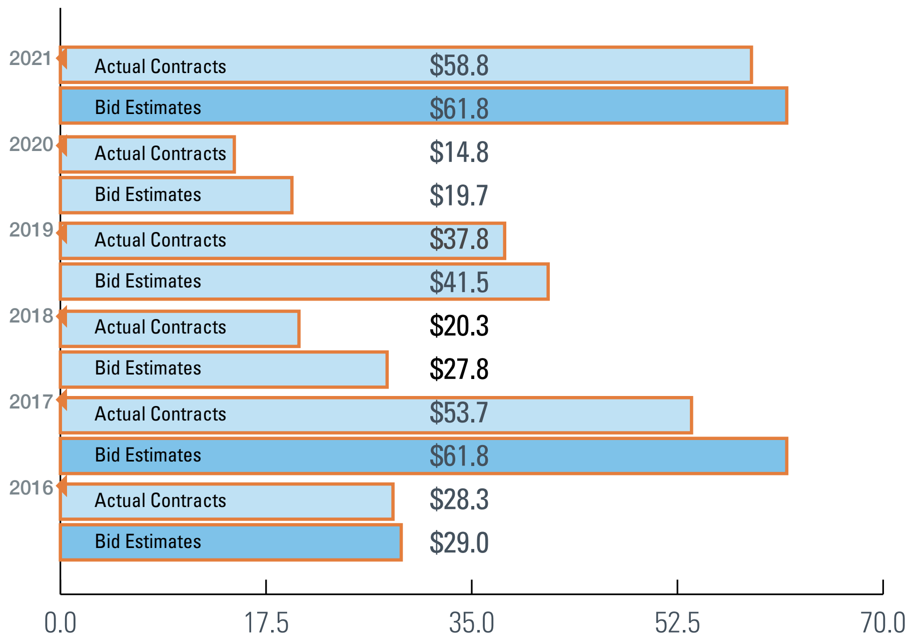
TOTAL CAPITAL PROGRAM AND EXPENDITURES

(in millions)



CAPITAL BIDS—ESTIMATES VERSUS ACTUAL CONTRACTS

(in millions)



2021 INDEPENDENT AUDITOR'S REPORT

Board of Water Works
Louisville Water Company
Louisville, Kentucky

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Louisville Water Company ("Company"), a component unit of Louisville/ Jefferson County Metro Government, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Louisville Water Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Louisville Water Company, as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisville Water Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisville Water Company'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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Louisville Water 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 Louisville Water 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Louisville Water Company's 2020 financial statements, and we expressed an unmodified audit opinion on the financial statements of Louisville Water Company in our report dated May 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of the Company's proportionate share of the net pension liability, the schedule of the Company's proportionate share of the net other postemployment benefits ("OPEB") liability, the schedule of the Company's pension contributions, and the schedule of the Company's OPEB contributions on pages 24-33 and 66-72 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Louisville Water Company's basic financial statements. The supplemental schedule of investments, summarized schedule of bond issues, schedule of outstanding bond indebtedness and annual debt service requirements, and schedule of operating and maintenance expenses are presented for purposes of additional analysis and are 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 supplemental schedule of investments, summarized schedule of bond issues, schedule of outstanding bond indebtedness and annual debt service requirements, and schedule of operating and maintenance expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2022 on our consideration of Louisville Water Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisville Water Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Louisville Water Company's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP
Louisville, Kentucky
June 21, 2022

The following management's discussion and analysis of Louisville Water Company's (the "Company" or "Louisville Water") financial performance provides an overview of the Company's financial activities for the fiscal year ended December 31, 2021 as compared with the prior year.

Overview of the Financial Statements

This annual financial report consists of four parts: Management's Discussion and Analysis, Financial Statements, Required Supplementary Information and Supplementary Information. The Financial Statements also include notes that provide additional details and are an integral part of the statements. The Supplementary Information further explains and supports the information within the Financial Statements.

The Financial Statements of the Company report information using accounting methods similar to those used by private-sector water utility companies, except for the reporting of contributions in aid of construction, equity capital and retained earnings. These statements offer short-term and long-term financial information about the Company's activities.

The Statement of Net Position includes all of the Company's assets and liabilities. It provides information about the nature and amounts of investments in resources (assets) and the obligations owed to outside entities and individuals (liabilities). It also provides the basis for evaluating the capital structure of Louisville Water and assessing the liquidity and financial flexibility of the Company.

All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the Company's operations over the past year and can be used to help determine whether the Company has successfully met its financial objectives, recovered all of its costs through its water rates and other charges, increased its net position and maintained credit-worthiness.

The Statement of Cash Flows provides information about the Company's cash receipts and cash payments, along with net changes in cash resulting from operating, financing and investing activities. The statement provides information on the sources and uses of cash and the changes in the balance of cash during the year.

Summary of 2021 Performance

The Company saw significant recovery in Operating Revenue from the negative impacts of the COVID-19 pandemic experienced in 2020. Commercial and industrial water consumption, which were the customer categories most affected by the pandemic, both gained 3.4% over 2020 levels. Wholesale water sales, which are a key strategy in offsetting declining retail sales, were also extremely strong in 2021, growing by 37%. As a result, the increase in overall water consumption was 5.4%. This notable growth in consumption along with a 2021 average rate increase of 3.5% resulted in growth in water revenue of $12.1 million or 6.6% in 2021. Alternative revenue streams have been another key strategy for Louisville Water. In 2021 the Company saw notable improvement in Other Operating Revenue from 2020 with growth of $725,000 or 4.0%, though we remain under pre-pandemic levels. Operating Expense decreased by $3.4 million or 2.1%, driven by a decline in pension/OPEB actuarial adjustment expense, partially offset by increases in Operating and Maintenance Expense, Depreciation and Amortization and Water and Fire Service Provided in Lieu of Taxes. As a result, Net Operating Revenue increased by $16.3 million for the year.

Net income before Distributions and Contributions totaled $50.3 million in 2021. The resulting dividend of $20.2 million, combined with free water and fire protection valued at $19.8 million, provided a total shareholder value of $40 million, an 8% increase from 2020. This improvement was a result of an increase Louisville Metro's water consumption, along with a higher dividend.

Financial Highlights

- Total Net Position increased by $41.6 million, or 4.1% primarily due to funds generated from operations, net of dividend paid to the Company's shareholder.
- Operating Revenues increased by $12.8 million, or 6.4%, due to a water rate increase of 3.5% effective January 1, 2021 and increased water consumption. Water sales in 2021 of 33.5 billion gallons were 1.7 billion gallons, or 5.4% higher than 2020 sales of 31.8 billion gallons.
- Operating Expenses decreased by $3.4 million, or 2.1%, primarily as a result of a decline in pension/OPEB actuarial adjustment expense of $7.7 million, partially offset by increases in Operating and Maintenance Expense of $1.2 million, Depreciation and Amortization Expense of $2.5 million and Water and Fire Service Provided in Lieu of Taxes of $1.4 million.
- Net Non-Operating Expense decreased by $1 million, or 17.5%, due to decreased earnings on funds invested, offset by lower interest costs and net grant revenue received during 2021.
- Net Income before Distributions and Contributions increased by $17.3 million, or 52.4%.
- Dividends Paid and Payable were up by $1.6 million, as the three-year average of adjusted net income utilized for the dividend calculation increased by $3.3 million

Statement of Net Position

Total Net Position increased by $41.6 million, or 4.1%, in 2021 (see Figure 1). The largest portion of Net Position is Net Utility Plant, which increased by $41.3 million in 2021 as a result of additional investment in capital assets. The capital assets were funded by the 2019 bond issuance, cash generated from operations and Contributions in Aid of Construction from developers, customers, and governmental agencies. Current Assets fell by $11.4 million in 2021, as a result of Cash and Short-term Liquid Investments declining by $11.9 million as funds were utilized for capital expenditures. Non-current Assets declined $8.1 million as a result of Restricted Capital Related Reserves dropping as funds were withdrawn for capital expenditures. Current Liabilities increased by $88 thousand in 2021, while Long-term Liabilities fell by $42 million. The decrease in Long-term Liabilities was due to a reduction in Bonds Payable and related Unamortized Premium and Discount of $22.5 million and a decrease in Net Pension/OPEB Liability of $19.6 million.

FIGURE 1 — CONDENSED STATEMENT OF NET POSITION

	2021	2020	DIFFERENCE	PERCENT
Current Assets	$ 100,838,969	$ 112,281,454	$(11,442,485)	(10.2%)
Noncurrent Assets	47,809,801	55,919,706	(8,109,905)	(14.5%)
Deferred Outflows of Resources	20,944,857	25,570,486	(4,625,629)	(18.1%)
Net Utility Plant	1,353,184,721	1,311,889,355	41,295,366	3.1%
Total Assets and Deferred Outflows of Resources	1,522,778,348	1,505,661,001	17,117,347	1.1%
Current Liabilities	54,449,265	54,360,827	88,438	0.2%
Long-term Liabilities	395,603,389	437,647,421	(42,044,032)	(9.6%)
Deferred Inflows of Resources	23,428,917	5,976,573	17,452,344	292.0%
Total Liabilities and Deferred Inflows of Resources	473,481,571	497,984,821	(24,503,250)	(4.9%)
Total Net Position	$1,049,296,777	$1,007,676,180	$ 41,620,597	4.1%

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues grew by $12.8 million, or 6.4%, in 2021 (see Figure 2) due to increases in Water Revenue and Other Operating Revenue. The increase in Water Revenue is attributable to higher water consumption and increased rates. Total water consumption was up by 1.7 billion gallons, or 5.4%, primarily as a result of recovery from the COVID-19 pandemic. The commercial and industrial customer classes account for a significant portion of the overall increase as businesses which closed or scaled back during the pandemic returned to more normal operations. Wholesale water consumption also increased significantly. Other Operating Revenue increased by 725,000 or 4.0% in 2021, due to the resumption in late fees and service deactivation fees which were suspended when the pandemic crisis started in mid-March of 2020.

The key components of Operating Expenses are: Operating and Maintenance Expenses; GASB Pension and OPEB Actuarial Adjustments; Depreciation and Amortization; Water and Fire Service Provided in Lieu of Taxes; and Loss from Sale and Salvage of Retired Assets. Operating Expenses decreased $3.4 million, or 2.1% in 2021. Excluding the impact of the GASB Pension and OPEB Actuarial Adjustments, Operating Expenses increased by $4.3 million, primarily as a result of increases in Operating and Maintenance Expense, Depreciation and Amortization and Water and Fire Service Provided in Lieu of Taxes. Operating and Maintenance Expenses increased $1.2 million due to higher contractual services, power and chemicals and labor and labor related costs. These increases were offset by a drop in bad debt and donations to the Louisville Water Foundation for customer assistance. Depreciation and Amortization increased by $2.5 million due to additional investment in capital assets. Water and Fire Service Provided in Lieu of Taxes increased by $1.4 million as a result of higher water consumption by Louisville Metro and the 3.50% water rate increase implemented on January 1, 2021.

Net Non-Operating Expense (non-operating expense less non-operating income) decreased by $1 million or 17.5% in 2021, due to decreased earnings on funds invested, offset by lower interest costs and net grant revenue received in 2021. Interest earned dropped due to a lesser amount of funds invested, along with low market interest rates. Interest expense declined due to principal payments on bonds, along with higher capitalized interest. Grant revenue increased by $2.2 million. In 2021, the Company was the subrecipient of federal Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) from the U.S. Department of the Treasury received by Metro Louisville in order to provide services known as the ARP Utility Assistance Program. These funds were utilized by the Company to provide assistance to customers to pay water and wastewater charges. A total of $1.4 million of the grant funds were utilized to cover wastewater charges owed by customers to Louisville MSD, and were recorded as grant expense by the Company.

Net Income before Distributions and Contributions increased by $17.3 million, or 52.4%, in 2021 as a result of recovery from the COVID-19 pandemic's impact on Water Revenue and Other Operating Revenues, along with a reduction in the expense from pension/OPEB actuarial adjustments. The formula for computing the dividend, as established by covenant in the Series 2009 Bond Resolution (the Master Bond Resolution), is 50% of the average of current year and prior two fiscal years' net income after certain stated adjustments. Three-year averaging is used to compensate for the volatility in Net Income that results principally from the unpredictability of water consumption. Dividends Paid and Payable for 2021 increased by $1.6 million or 8.8% as a direct result of the recovery from the impact of the pandemic and the reduction in pension/OPEB actuarial expense, though the magnitude was lessened by the three-year averaging formula.

Contributions in Aid of Construction are comprised of: pipeline contributions from developers for water main extensions and from governmental agencies for water main relocations; service installation fees from customers; apportionment warrant fees and tapping fees from customers to extend water service to unserved areas; and system development charges from customers for growth-related expansion. The level of capital contributions varies from year to year and is affected by economic cycles. These types of projects are fully funded or nearly fully funded by outside entities in advance of construction. Contributions in Aid of Construction decreased by $209,000, or 1.8%, from the previous year.

FIGURE 2 — CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2021	2020	DIFFERENCE	PERCENT
Operating Revenue	$ 214,600,033	$ 201,752,264	$12,847,769	6.4%
Operating Expenses	159,456,016	162,894,576	(3,438,560)	(2.1%)
Net Operating Revenue	55,144,017	38,857,688	16,286,329	41.9%
Net Non-Operating Expense	4,794,519	5,813,484	(1,018,965)	(17.5%)
Net Income Before Distributions and Contributions	50,349,498	33,044,204	17,305,294	52.4%
Dividends Paid and Payable	20,172,360	18,542,855	1,629,505	8.8%
Contributions in aid of Construction	11,443,459	11,653,314	(209,855)	(1.8%)
Change in Net Position	41,620,597	26,154,663	15,465,934	59.1%
Net Position, Beginning of Year	1,007,676,180	981,521,517	26,154,663	2.7%
Net Position, End of Year	$1,049,296,777	$1,007,676,180	$41,620,597	4.1%

Statement of Cash Flows

Cash at the end of 2021 was $22.8 million higher than at the end of 2020 (see Figure 3).

- Cash from Operating Activities was $105.8 million, increasing by $1.6 million as compared to the prior year. More cash was received from customers compared to 2020 as a result of higher Water Revenue and Other Operating Revenue. Cash paid to employees and to suppliers and others also increased in 2021.
- Cash used by Capital and Related Financing Activities was $108.4 million in 2021, down $7.4 million from 2020. This was a result of less cash expended on the acquisition and construction of utility plant, which was down $8.0 million from 2020.
- Cash provided by Investing Activities was $45.6 million in 2021 down $2.1 million from 2020. A drop in interest income received accounts for the majority of the decline. Interest income fell by $1.3 million as a result of lower market rates available for reinvestment of maturing investments along with a drop in funds available to invest.

In addition to the amounts held in unrestricted Cash and Investments, Louisville Water also held funds in restricted capital and bond related accounts and reserves totaling $42.3 million, reported as part of Restricted, Expendable Bond Accounts in Current Assets and Restricted Reserves in Noncurrent Assets on the Statement of Net Position and described in Note 3.

FIGURE 3 — CONDENSED STATEMENT OF CASH FLOWS

	2021	2020	DIFFERENCE	PERCENT
Cash Flows From				
Operating activities	$105,763,150	$104,204,238	$ 1,558,912	1.5%
Non-Capital Financing Activities	(20,172,360)	(20,169,617)	(2,743)	0.0%
Capital and Related Financing Activities	(108,363,093)	(115,734,002)	7,370,909	6.4%
Investing Activities	45,569,888	47,648,920	(2,079,032)	(4.4%)
Net Change in Cash	22,797,585	15,949,539	6,848,046	42.9%
Cash, beginning of year	51,219,271	35,269,732	15,949,539	45.2%
Cash, end of year	$ 74,016,856	$ 51,219,271	$22,797,585	44.5%

Capital Assets

Louisville Water uses a five-year Capital Improvement Program ("CIP") that is updated annually. Periodically, a twenty-year facility plan is prepared by our Consulting Engineer. The most recent Comprehensive Facilities Plan was prepared by Hazen and Sawyer and was adopted by the Board of Water Works in September 2021. Development of the CIP is based on the Company's current Comprehensive Facilities Plan and recommendations from the biennial inspection of facilities. The Company's current Comprehensive Facilities Plan covers the years from 2021 through 2040. The CIP approved by the Board of Water Works in late 2021 shows the Company plans to invest $658.1 million in improvements during 2022-2026.

The Company spent $80.2 million on its capital program in 2021, with the largest portion being spent on infrastructure renewal. As shown in Figure 4, total investment in Utility Plant was $1.4 billion as of the end of 2021, an increase of $41.3 million from the prior year. Infrastructure renewal projects account for 73% of the planned 2022 capital expenditures. In 2022, the Company will continue to make significant investments in main replacement and rehabilitation, transmission condition assessment and rehabilitation and new technology. Please see Note 6 for capital assets detail.

FIGURE 4 — CONDENSED SUMMARY OF CAPITAL ASSETS

	2021	2020	DIFFERENCE	PERCENT
Capital assets	$ 1,886,101,462	$1,823,050,346	$63,051,116	3.5%
Less accumulated depreciation	(675,697,695)	(633,060,382)	(42,637,313)	(6.7%)
Capital assets, net	1,210,403,767	1,189,989,964	20,413,803	1.7%
Capital assets not being depreciated	142,780,954	121,899,391	20,881,563	17.1%
Utility plant, net	$1,353,184,721	$1,311,889,355	$41,295,366	3.1%

Debt Administration

As of December 31, 2021, the Company has principal outstanding of $44.9 million for the Series 2014A Bonds, $100.5 million for the Series 2015 Bonds, $138.7 million for the Series 2019 Bonds and $1.1 million for the KIA loan for a total of $285.2 million. The Series 2014A Bonds are not insured and are callable beginning in 2022. The Series 2015 Bonds are not insured and are callable beginning in 2025. The Series 2019 Bonds are not insured and are callable beginning in 2029. All the Company's bonds carry ratings of Aaa from Moody's and ratings of AAA from Standard & Poor's. The ratings on all of the Company's previously issued bonds were affirmed in October 2019, concurrent with the assignment of Aaa/AAA to its newly issued Series 2019 bonds. The Company's debt rating is among the highest in the United States for water utility revenue bonds. As shown in Figure 5, the Company's debt service coverage was 2.10 times in 2021, a increase from the prior year as a result of recovery from the pandemic's negative impact on Income Available for Debt Service in 2020. Please see Notes 7 and 8 for long-term debt detail.

FIGURE 5 — DEBT SERVICE COVERAGE

	2021	2020	DIFFERENCE	PERCENT
Income Available for Debt Service	$61,011,762	$53,629,712	$7,382,050	13.8%
Current Aggregate Net Debt Service	29,019,969	28,277,060	742,909	2.6%
Debt Service Coverage Times	2.10	1.90	0.20	10.5%

Economic Factors and Next Year's Budgets and Rates

Management believes that the long-term nationwide trend of declining water consumption will continue to be a challenging issue. Management has implemented strategies to enhance revenue growth via both traditional and non-traditional avenues to offset the negative impact of lower water sales. The Company has had notable success in its regionalization efforts, through additional sales to existing customers and the execution of new wholesale contracts. Management will continue to actively pursue these opportunities. The Company has also had positive results with non-traditional revenue initiatives. Management will seek new growth opportunities that capitalize on our existing competencies, expertise and strengths, focusing on innovative new products and services.

The Company's most challenging issue in the last two years was dealing with the operational and financial impacts of the COVID-19 pandemic. The Company saw significant improvement in 2021 as compared to 2020, and management anticipates that improvement will continue in 2022. However, future developments in the pandemic situation and the magnitude of the potential impact of such developments is unknown at this time.

Management believes that the 2022 Budget adequately addresses all revenue requirements, which are defined as the summation of the operating, maintenance and capital costs that a utility must recover during the time period for which the rates will be in place. Water rates increased for retail water service by 3.5% on January 1, 2022. Water rates for wholesale customers are recommended to increase on July 1, 2022. Rate changes for five wholesale customers are subject to approval by the Kentucky Public Service Commission.

Computation of Stockholder's Equity

Stockholder's equity for Louisville Water is no longer published in the audited Financial Statements following adoption of GASB 34 in 2002. Using the common stock, retained earnings, and total equity capital reported in the 2001 audited Financial Statements and using Income before Distributions and Contributions less Dividends Paid and Payable from audited Financial Statements for subsequent years, Figure 6 below shows management's computation of stockholder's equity for the years ended December 31, 2021 and 2020.

FIGURE 6 — COMPUTATION OF STOCKHOLDER'S EQUITY

	2021	2020	DIFFERENCE	PERCENT
Total Equity Capital - Beginning of Year	$652,331,842	$637,830,493	$14,501,349	2.3%
Plus: Income Before Distributions and Contributions	50,349,498	33,044,204	17,305,294	52.4%
Less: Dividends Paid and Payable	20,172,360	18,542,855	1,629,505	8.8%
Total Equity Capital - End of Year	682,508,980	652,331,842	30,177,138	4.6%
Less: Cumulative Deposits to Infrastructure Replacement Reserve	54,428,244	54,178,244	250,000	0.5%
Stockholder's Equity Eligible for Return Computation	$628,080,736	$598,153,598	$29,927,138	5.0%

Certain stated adjustments are made to Net Income before Distributions and Contributions to arrive at Adjusted Net Income, which is utilized for the dividend and return on equity computations. For 2021, Adjusted Net Income was $50 million. The return on equity earned by Louisville Water in 2021 was 7.98%.

Comparative Analysis of Financial Results

To optimize long-term financial viability, Louisville Water management plans for and monitors five groups of financial metrics: liquidity, capitalization, coverage, profitability and dividend payout. Figure 7 below shows management's computation of certain financial ratios within each of these groups of metrics.

FIGURE 7 — COMPARATIVE ANALYSIS OF FINANCIAL RESULTS

LIQUIDITY	ACCESS READILY AVAILABLE ASSETS TO MEET NEAR-TERM OBLIGATIONS	2020	2021	2022 BUDGET	TARGET
Days of Funded Operations	(Cash + Short-Term Liquid Inv.) / (O&M Expense / 365)	362	307	438	>250

CAPITALIZATION	RELIANCE ON DEBT FINANCING FOR CAPITAL INVESTMENTS	2020	2021	2022 BUDGET	TARGET
Debt to Net Utility Plant	Debt / Net Utility Plant	23.08%	21.08%	24.58%	<35%
Debt to Capitalization	Debt / (Debt + Net Position)	23.10%	21.37%	19.42%	<24%

COVERAGE	CAPACITY TO MAKE DEBT SERVICE PAYMENTS	2020	2021	2022 BUDGET	TARGET
Debt Service Coverage	Income Available for Debt Service / Debt Service	1.90	2.10	2.24	>2.0
Section 603 Rate Covenant	Net Revenue / Max Agg. Debt Service	283%	342%	319%	>130%
Debt Service Safety Margin	(1 - O&M Expense + Debt Service) / (Operating Revenue + Non-Operating Revenue)	43.47%	45.63%	45.84%	>30%

PROFITABILITY	PROFITABILITY OF THE COMPANY	2020	2021	2022 BUDGET	TARGET
Return on Equity	(Net Income – Infrastructure Reserve Replacement ("IRR") + Bond Reserve Adjustment) / Stockholder Equity Eligible for Return	5.52%	7.98%	5.90%	>7.5%
Return on Net Utility Plant	Net Income / Net Utility Plant	2.52%	3.72%	2.86%	>3.5%
Net Profit Margin	Net Income / Operating Revenue	16.38%	23.46%	17.09%	>20%

DIVIDEND PAYOUT	MEASUREMENT OF DISTRIBUTION OF PROFIT AS A DIVIDEND	2020	2021	2022 BUDGET
Dividend Payout	Dividends Declared / (Net Income - IRR)	56.12%	40.26%	49.68%
Total Transfers	(Water in Lieu of Taxes + Dividends) /Operating Revenue	18.33%	18.62%	17.48%

Contacting the Company's Financial Management

This financial report is designed to provide our citizens, customers, creditors and stockholder with a general overview of the Company's finances and to show the Company's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Vice-President, Finance – Treasurer at Louisville Water Company, 550 South Third Street, Louisville, KY 40202.

2021 STATEMENT OF NET POSITION

December 31, 2021
(With Summarized Financial Information as of December 31, 2020)

	2021	2020
ASSETS		
Current Assets		
Cash	$ 74,016,856	$ 51,219,271
Short-term liquid investments	-	34,673,441
Cash and short-term liquid investments	74,016,856	85,892,712
Accounts receivable, net	13,599,059	12,562,780
Contracts receivable, current portion	566,927	546,385
Materials and supplies	5,696,622	5,508,674
Restricted, expendable bond accounts	2,616,262	3,134,297
Other current assets	4,343,243	4,472,324
Accrued interest receivable	-	164,282
Total Current Assets	100,838,969	112,281,454
Utility Plant, net of accumulated depreciation	1,353,184,721	1,311,889,355
Noncurrent Assets		
Restricted reserves	39,665,957	49,382,249
Non-utility property	2,400,572	2,242,131
Unamortized bond issuance costs	1,262,001	1,446,135
Contracts receivable	441,916	488,044
Preliminary engineering charges	575,748	445,819
Prepaid regulatory assets	3,463,607	1,915,328
Total Noncurrent Assets	47,809,801	55,919,706
Total Assets	1,501,833,491	1,480,090,515
Deferred Outflows of Resources		
Pension	7,592,635	12,037,681
OPEB	12,572,876	12,899,174
Net loss on refunding of debt	779,346	633,631
Total Deferred Outflows of Resources	20,944,857	25,570,486
Total Assets and Deferred Outflows of Resources	$1,522,778,348	$1,505,661,001

(Continued)

2021 STATEMENT OF NET POSITION

December 31, 2021

(With Summarized Financial Information as of December 31, 2020)

	2021	2020
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 18,195,125	$ 21,027,001
Sewer collections (contra)	1,037,123	1,495,035
Customer deposits and advances	7,037,462	6,036,936
Tax collections payable	475,530	442,477
Accrued interest payable	1,345,658	1,450,034
Contracts payable, retainage percentage	2,835,167	2,243,397
Accrued payroll	377,812	308,817
Accrued vacation and sick leave	1,518,162	1,468,645
Insurance reserve	2,376,018	2,359,173
Bonds and notes payable, current portion	19,251,208	17,529,312
Total Current Liabilities	54,449,265	54,360,827
Long-Term Liabilities		
Customer advances for construction	301,143	301,349
Net pension liability	81,675,519	95,654,375
Net OPEB liability	24,518,858	30,106,670
Unamortized debt premium and discount	23,135,144	26,361,094
Bonds and notes payable, less current portion	265,972,725	285,223,933
Total Long-Term Liabilities	395,603,389	437,647,421
Total Liabilities	450,052,654	492,008,248
Deferred Inflows of Resources		
Pension	11,942,195	494,642
OPEB	11,486,722	5,481,931
Total Deferred Inflows Resources	23,428,917	5,976,573
Total Liabilities and Deferred Inflows of Resources	473,481,571	497,984,821
Net Position		
Net investment in capital assets	1,037,779,094	975,238,697
Unrestricted	(30,764,536)	(20,049,133)
Restricted, expendable – debt service	42,282,219	52,486,616
Total Net Position	1,049,296,777	1,007,676,180
Total Liabilities and Net Position	$1,522,778,348	$1,505,661,001

See accompanying Notes to Financial Statements

2021 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
Revenues		
Operating revenues	$ 214,600,033	$ 201,752,264
Operating Expenses		
Operating and maintenance expenses	87,935,720	86,699,450
GASB 68 pension actuarial adjustment	1,913,742	8,783,206
GASB 75 OPEB actuarial adjustment	743,278	1,577,213
Depreciation and amortization	47,149,822	44,616,511
Water and fire service provided in lieu of taxes	19,793,519	18,429,591
Loss from sale and salvage of retired assets	1,919,935	2,788,605
Total Operating Expenses	159,456,016	162,894,576
Net Operating Revenue	55,144,017	38,857,688
Non-Operating Income (Expense)		
Interest income	497,837	1,622,999
Interest expense	(6,085,309)	(7,436,483)
Grant revenue	2,204,004	-
Grant expense	(1,411,051)	-
Net Non-Operating Expense	(4,794,519)	(5,813,484)
Net Income Before Distributions and Contributions	50,349,498	33,044,204
Distributions and Contributions		
Dividends paid and payable	(20,172,360)	(18,542,855)
Contributions in aid of construction	11,443,459	11,653,314
Total Distributions and Contributions, Net	(8,728,901)	(6,889,541)
Change in Net Position	41,620,597	26,154,663
Net Position, beginning of year	1,007,676,180	981,521,517
Net Position, end of year	$1,049,296,777	$1,007,676,180

See accompanying Notes to Financial Statements

2021 STATEMENT OF CASH FLOWS

Year ended *December 31, 2021*

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	$ 194,312,849	$ 181,936,180
Cash paid to suppliers and others	(56,609,493)	(46,297,885)
Cash paid to employees for services or benefits	(31,940,206)	(31,434,057)
Net Cash Provided by Operating Activities	105,763,150	104,204,238
Cash Flows from Non-capital Financing Activities		
Dividends paid to stockholder	(20,172,360)	(20,169,617)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of utility plant	(77,958,661)	(85,910,918)
Acquisition of non-utility property	(2,218,826)	(1,668,332)
Metro COVID grant funds	792,953	-
Contributions in aid of construction	288,396	262,258
Customer advances for construction	(206)	(1,551)
Preliminary engineering charges	(129,929)	(21,590)
Principal paid	(17,529,313)	(15,762,454)
Interest paid	(11,607,507)	(12,631,415)
Net Cash Used in Capital and Related Financing Activities	(108,363,093)	(115,734,002)
Cash Flows from Investing Activities		
Investment – maturities	34,563,000	38,561,000
Restricted cash reserves	9,716,292	(16,443,141)
Restricted, expendable bond accounts	518,035	23,484,698
Interest received	772,561	2,046,363
Net Cash Provided by Investing Activities	45,569,888	47,648,920
Net change in cash	22,797,585	15,949,539
Cash, beginning of year	51,219,271	35,269,732
Cash, end of year	$ 74,016,856	$ 51,219,271

(Continued)

2021 STATEMENT OF CASH FLOWS

Year ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
Reconciliation of Net Operating Revenue to Net Cash Provided by Operating Activities		
Net operating revenue	$ 55,144.017	$ 38,857,688
Adjustments to reconcile net operating revenue to cash provided by operating activities		
Depreciation	47,097,873	44,684,367
Amortization	2,160,303	1,878,239
Loss from sale and salvage of retired assets	1,919,935	2,788,605
Changes in current assets and liabilities		
Accounts receivable	(1,036,279)	(814,899)
Materials and supplies	(187,948)	246,296
Other current assets	129,081	(501,724)
Accounts payable	(2,831,876)	7,585,236
Accounts payable, sewer collections	(457,912)	280,055
Customer deposits	1,000,526	(851,649)
Tax collections payable	33,053	88,317
Accrued vacation and sick leave	49,517	60,887
Accrued payroll	68,995	(246,463)
Net pension liability	(13,978,856)	6,865,985
Net OPEB liability	(5,587,812)	8,877,573
Deferred outflows of resources – pension	4,445,045	3,229,039
Deferred outflows of resources – OPEB	326,299	(5,230,795)
Deferred inflows of resources – pension	11,447,553	(1,311,818)
Deferred inflows of resources – OPEB	6,004,791	(2,069,565)
Insurance reserve	16,845	(211,136)
Net Cash Provided by Operating Activities	$105,763,150	$104,204,238
Supplemental Information		
Non-cash capital and related financing activities		
Accrued utility plant acquisitions	$ 8,483,020	$ 7,402,619
Contributions in aid of construction	$ 11,772,420	$ 11,493,129

See accompanying Notes to Financial Statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Description of the Business: Louisville Water Company (the "Company" or "Louisville Water") is a provider of retail water and related services to residential, commercial, industrial and fire customers in Jefferson County and parts of Oldham and Bullitt Counties in Kentucky. The Company also provides wholesale water service to nine utility customers located in Bullitt, Nelson, Shelby and Spencer Counties in Kentucky and has a contract to operate a water treatment facility in southern Indiana. Throughout its 160-year history, the Company has engaged the communities it serves through philanthropic and charitable outreach activities, directly contributing to improving the health and well-being of those communities.

The Company is a component unit of Louisville/Jefferson County Metro Government ("Louisville Metro"). The Company is a legally separate entity that provides water utility services to the residents of the Louisville metropolitan area and charges fees for those services. It is shown as a discretely presented Component Unit because Louisville Metro is the sole shareholder of Louisville Water's stock, receives a quarterly dividend, and the Mayor appoints the Company's Board of Directors. Water and fire services valued at $19.8 million were provided to Louisville Metro in lieu of taxes during the year ended December 31, 2021. The Company remitted $17,914,190 in dividends to Louisville Metro during Louisville Metro's fiscal year ended June 30, 2021.

The Company has demonstrated its commitment to the community by founding a nonprofit organization, the Louisville Water Foundation (the "Foundation"). The Foundation's mission is to improve the health and wellbeing of the communities it serves and around the world by providing water assistance and water education. The creation of a separate, nonprofit entity allows financial and/or in-kind support to flow into the Foundation from a broad base of public and private sources. The related financial activity of the Foundation is not deemed to be a component unit of the Company.

Basis of Presentation: The accompanying Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental organizations reporting as a business-type activity and enterprise fund accounting, a type of proprietary fund. Business-type activities are those activities that are financed in whole or in part by fees charged to external parties for goods and services. An enterprise fund is accounted for under the economic resource measurement focus and uses the accrual basis of accounting which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains and losses. The Financial Statements have been prepared on the accrual basis of accounting which allows for revenues to be recognized when earned and expenses to be recorded when an obligation has been incurred.

Method of Accounting: The Company adopts common industry accounting policies for water utilities. Although the Company is not subject to regulation, the accounts are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners, except with respect to the treatment of gains and losses from the retirement or disposition of utility plant. The Company recognizes gain or loss, including cost of removal, upon the retirement or disposition of utility plant rather than the transfer of cost to accumulated depreciation, as provided by the National Association of Regulatory Utility Commissioners. Due to the election as a regulated operation under GASB 62, to meet industry accounting standards and follow transactional intent, the Company uses, as applicable, Accounting Standards Codification ("ASC") 980, Regulated Accounting.

Estimates in the Financial Statements: The preparation of Financial Statements in conformity with accounting principles generally accepted in the United States of America requires, at times, 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.

Prior-Year Comparative Information: The Financial Statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's Financial Statements for the year ended December 31, 2020, from which summarized information was derived.

Reclassification: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the Company's reported results of operations.

Statements of Cash Flows: For purposes of the Statements of Cash Flows, the Company considers all unrestricted highly liquid investments with a remaining maturity of twelve months or less to be short-term investments. Significant noncash transactions during the year that were excluded from the Statement of Cash Flows consisted of accrued utility plant acquisitions of $8,483,020 and contributions in aid of construction of $11,772,420.

Implementation of Accounting Standards: The Company adopted the following accounting standards during the year:

- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Adoption of this standard had no impact on the Company's financial position or results of operations.
- GASB Statement No. 98, The Annual Comprehensive Financial Report. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym ACFR, replacing the term comprehensive annual financial report and its acronym. Adoption of this standard had no impact on the Company's financial position or results of operations.

Recent Accounting Pronouncements: The GASB has issued the following statements not yet required to be adopted that the Company believes may be currently relevant to their operations and note disclosures.

- GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

- GASB Statement No. 92, Omnibus 2020: The objective of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements in paragraphs 4, 5, 11, and 13 of this Statement were previously adopted by the Company. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) The objective of this Statement is to establish standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement were previously adopted by the Company. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The GASB has issued the following statements not yet required to be adopted that the Company believes are not currently relevant to their operations and note disclosures.

- GASB Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

The Company's management has not yet determined the effect, if any, these future statements will have on the Company's Financial Statements.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are stated at the estimated amount management expects to collect from outstanding customer accounts. The allowance for doubtful accounts is established based on historical collection experience and a review of the status of existing water, contract and miscellaneous receivables. See Note 2 for more information.

Inventory: Materials and supplies inventories are stated at the average cost.

Investments: Investments are reported at fair value with gains and losses included in the Statements of Revenues, Expenses and Changes in Net Position. Gains or losses on dispositions are determined using the specific identification method. Treasury securities with maturity of one year or less at the time of purchases are recorded at amortized cost in accordance with GASB 72.

Capitalized Interest: In accordance with the provisions for regulated utility entities under GASB 62, the Company follows the practice of capitalizing the portion of interest incurred as part of the cost of acquiring assets that are debt-financed for rate-making purposes. Total interest cost of $8,315,601 was incurred during the year, of which $2,230,292 was capitalized as a regulatory asset

Utility Plant: Utility plant is stated at cost of acquisition or construction, including certain indirect costs. Direct purchases with a unit cost of $2,500 or more and a useful life of greater than one year are capitalized. The Company applies the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property. The estimated useful lives of some significant asset categories are as follows:

Buildings	50 to 100 years
Pipelines	65 to 100 years
Fire hydrants	50 years
Services	40 years
Meters	15 years
Equipment	5 to 10 years
Trucks and autos	5 years

Depreciation and amortization expense related to utility plant was $47,197,792 for 2021 of which $2,108,354 was allocated to other operating expenses.

Non-utility Property: Non-utility property is stated at cost of acquisition or construction, including certain indirect costs. Direct purchases with a unit cost of $2,500 or more and a useful life of greater than one year are capitalized. The Company applies the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property. Depreciation expense of non-utility plant was $2,060,384 for 2021.

Prepaid Regulatory Assets: Prepaid regulatory assets include abandoned plant assets and capitalized interest. The Company capitalizes and depreciates abandoned plant assets generally over five to eight years. The Company depreciates capitalized interest over the life of the related asset. The prepaid regulatory assets have historical cost of $8,275,717. The carrying value, stated net of depreciation, was $3,463,607 as of December 31, 2021.

Customer Deposits: The Company has implemented a security deposit policy for all customers applying for residential, commercial or industrial water service who: (i) have had a previous account in bad debt or bankruptcy status; or (ii) have had a service disconnected due to nonpayment within the last three years of service; or (iii) have a utility score below the threshold set by the Company. The Company refunds the security deposit when: (i) a customer closes the account; or (ii) the customer has paid their bill in a timely manner for three consecutive years. Additionally, the Company charges a security deposit for temporary meters for construction. Total security deposits at December 31, 2021 were $3,364,780.

The Company also requires customers to make a deposit for the cost of construction of pipelines and special services. Deposits are refundable to the extent the deposit is in excess of the construction cost. Total construction deposits were $3,672,682 at December 31, 2021. All customer and security deposits are included as customer deposits and advances in current liabilities on the Statement of Net Position.

Accrued Vacation and Sick Leave: Employees' vested and accumulated vacation and sick leave is recorded as a liability on the Statement of Net Position. Accrued vacation and sick leave balances were $1,518,162 as of December 31, 2021.

Customer Advances for Construction: The customer advances for construction accounts reflect the anticipated long-term liability for refunding construction costs based on future new service installations within certain time limits up to 20 years. Once the refund period has expired, any balance is recorded as a contribution in aid of construction in the Company's Statement of Revenues, Expenses and Changes in Net Position. Total customer advances for construction at December 31, 2021 were $301,143.

Pensions and Other Postemployment Benefits ("OPEB"): For purposes of measuring the net pension and OPEB liabilities, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to and deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows and Inflows of Resources: Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services. Deferred outflows of resources in the Company's Financial Statements consist of the unamortized deferred loss on refunding of debt and CERS pension and OPEB related unamortized balances. Deferred inflows of resources consist of the CERS pension and OPEB related unamortized balances.

Debt and Bond Related Costs: Debt related policies include the following:

- Bonds payable are recorded at the principal amount outstanding, net of any applicable premium or discount.
- Original issue discounts and premiums on bonds are amortized as a component of interest expense using the effective interest method over the lives of the bonds to which they relate.

- Refunding bonds outstanding, which have been refunded and economically defeased, are not included in long-term debt. The related assets are not included in investments. The loss on refunding, which is the difference between the reacquisition price and the net carrying amount of the old debt, is deferred outflow of resources and amortized as a component of interest expense over the average remaining life of the old debt.
- Bond issue costs are capitalized and amortized over the life of the respective bond issue using the effective interest method, pursuant to the election of regulatory operation under GASB 62, as they are deemed recoverable through future rates.

Contributed Capital and Construction Grants: Construction and acquisition of water lines and other facilities and plants are financed, in part, from governmental grants and contributions in aid of construction from property owners and developers. Governmental grants in aid of construction represent the portion of construction cost incurred where paperwork has been submitted to the entity. These amounts are recorded as a receivable and revenues from contributions at the time the documentation is submitted. The revenues from contributions are part of the change in net position.

Restricted and Unrestricted Funds: Restricted funds are externally reserved for the purpose of bond debt service, funding of capital expenditures and debt service reserves. Unrestricted funds are used to pay operating expenses. When an expense or outlay is incurred for which both restricted and unrestricted funds are available, it is the Company's practice to use revenue from operations to finance construction, then reimburse from restricted funds as needed. Restricted funds can be used to pay operating expenses in the case of an emergency caused by some extraordinary occurrence, so characterized in a Certificate of an Authorized Officer filed with the Trustee, and an insufficiency of moneys to the credit of the Operation Fund to meet such emergency.

Net Position: The Company classifies resources for accounting and reporting purposes into the following net position categories:

- *Net Investment in Capital Assets:*
  Capital assets, net of accumulated depreciation and outstanding principal balances of debt and related liabilities attributable to the acquisition, construction or improvement of those assets.
- *Restricted: Restricted net position includes two categories:*
  Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the Company.

  Expendable - Net position whose use by the Company is subject to externally imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire by the passage of time.
- *Unrestricted:*
  Net position whose use by the Company is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Water Works or may otherwise be limited by contractual agreements with outside parties.

Operating / Non-Operating Revenues and Expenses: Operating Revenues are those revenues that are generated directly from the primary activities of the Company. These revenues include water service and commodity charges, late and other water-related fees, contract operations and service line warranty fees, and compensation for service provided to others. Operating expenses are expenses incurred through the activities of operating and maintaining the Company, including depreciation, water provided in lieu of taxes, and loss on disposition of assets. Non-operating revenues and expenses are comprised of investment earnings, financing interest cost, and any other revenues or expenses that do not meet the definition of operating revenues or operating expenses.

Revenue: Operating revenue is recognized in the period in which billings are rendered to customers. The Company does not accrue revenue for water delivered but not billed.

Taxes: The Company, by virtue of its ownership by Louisville Metro, is exempt from taxation by federal, state and local taxing authorities. However, the Company is liable for certain other taxes and provides water and fire services in lieu of taxes to Louisville Metro. Tax expense, which includes water and fire service provided in lieu of taxes, for 2021 was $19,793,519.

Union Employees: The Company has employees who are covered by a collective bargaining agreement. At December 31, 2021, approximately 39% of the Company's full-time employees were covered by the collective bargaining agreement. This 7-year agreement expires on March 1, 2023.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable, net, as of December 31, 2021 includes:

Water	$ 12,898,804
Other	2,094,019
	14,992,823
Allowance for doubtful accounts	(1,393,764)
	$ 13,599,059

NOTE 3 – 2009 MASTER BOND RESOLUTION FUNDS

The Company maintains a 2009 Master Bond Resolution ("Resolution") that documents the legal requirements for the outstanding bonds payable for the 2014A, 2015 and 2019 bond series. The following accounts and funds are established by the Resolution:

Construction and Acquisition Fund: The Resolution establishes a Construction and Acquisition Fund. Individual accounts are established, maintained and accounted for within this fund for each Series of Bonds. The Company pays into such accounts amounts received from the proceeds of the sale of Bonds, to be applied to the cost of construction or acquisition of capital projects and to the Cost of Issuance for the Series of Bonds

Bond Service Account: Except to the extent that the interest and principal are to be paid from other available sources, the Company is required to deposit monthly, into the Trustee's Bond Service Accounts, one-sixth of the amount of the next succeeding interest payment on the Series 2014A, 2015 and 2019 Bonds outstanding and one-twelfth of the next maturing principal of those related bonds. The Bond Service Accounts are invested in government obligation mutual funds stated at fair value.

Bond Reserve Account: The Resolution requires that the Bond Reserve Account be established at one-half of the highest future annual maximum aggregate debt service. The fund is to be used to pay maturing bonds and interest in the event funds in the Bond Service Account are not sufficient. Otherwise, funds may not be withdrawn until the bond issue is paid in full. However, the income earned on investments may be transferred to the Bond Service Account. The reserve is invested in government obligation mutual funds, stated at fair value.

Depreciation Fund: The Resolution requires the Company to make monthly deposits of an amount equal to one-twelfth of an amount not less than the annual depreciation charges into the Depreciation Fund. The balance also includes interest income earned. These funds are available to fund capital expenditures. The Depreciation Fund is collateralized by pledged assets with the Federal Reserve for those funds that exceed the $250,000 FDIC insurance limit.

Infrastructure Replacement Reserve Fund: The Resolution provides for the funding of the Infrastructure Replacement Reserve Fund to support infrastructure replacement and rehabilitation projects. Budgeted funding was $250,000 for 2021. This fund is collateralized by pledged assets with the Federal Reserve for those funds that exceed the $250,000 FDIC insurance limit.

Revenue Fund: The Resolution requires all revenues received by the Company, and not required to be deposited elsewhere or otherwise reserved for Special Investments, will be collected by the Company and deposited with a Depository or Depositories to the credit of the Revenue Fund.

Operating Reserve Fund: Per the Resolution, each month the Company shall, after making required payments to the Bond Service Account, the Bond Reserve Account, and the Depreciation Fund, withdraw from the Revenue Fund and deposit with a Depository in the name of the Company to the credit of the Operation Fund the balance remaining in the Revenue Fund. The current expenses of the Company are paid from the Operation Fund.

Rebate Fund: The Board and the Company have covenanted to rebate excess earnings to the United States in accordance with law. The Rebate Fund is established for this purpose and amounts credited to the Rebate Fund shall be free from the lien of the Resolution. Payment of any amount due shall be made by the Board of Water Works and the Company within 15 days following each five-year computation period for the calculation of excess rebate arbitrage under the Internal Revenue Code. There were no deposits required to be made to this fund during 2021.

The Company has Bond and Capital related accounts within cash and investments as of December 31, 2021 as follows:

Restricted, Expendable Bond Accounts:	
Bond Service Accounts:	
Series 2014A	$ 474,514
Series 2015	795,291
Series 2019	1,346,457
Total restricted, expendable bond service accounts	2,616,262
Total Restricted, Expendable Bond Accounts	$ 2,616,262
Restricted Reserves – Noncurrent Assets:	
Bond Related Reserves:	
Bond reserve account	$14,723,720
Capital Related Reserves:	
Depreciation Fund	8,670,751
Infrastructure Replacement Reserve Fund	16,271,486
Total capital related reserves	$24,942,237
Total Restricted Reserves – Noncurrent Assets	$39,665,957
Total	$42,282,219

NOTE 4 – CASH AND INVESTMENTS

The Company's investment policy specifies that the primary objectives, in priority order, of investment activities are safety, liquidity and yield. In addition, funds are to be invested in conformity with federal, state and other legal requirements, including the Resolution.

At December 31, 2021, in addition to the reserve funds and the bond service account balances with trustees, as reflected in Note 3, the Company had $74,730,696 of cash deposits with financial institutions held in temporary investments collateralized by the financial institutions with pledged assets.

Information related to all cash and investments for December 31, 2021 is included below. Investments (long-term) are presented at fair value.

		WEIGHTED AVERAGE MATURITY IN YEARS	CREDIT RATING
Reserve and Bond Accounts:			
Money market mutual funds	$ 17,339,982	0.08	Aaa
Total bond reserve and bond service	17,339,982		
Cash in bank – capital related reserves	24,942,237		
Total restricted reserves and restricted, expendable bond accounts	42,282,219		
Cash:			
Cash in bank	74,730,696		
Petty cash	4,296		
Checks outstanding and deposits in transit	(718,136)		
Cash and temporary investments	74,016,856		
Total cash and investments	$116,299,075		

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to it. The Company does not have a formal deposit policy for custodial credit risk; however, the Company has mitigated this risk as all deposits with depository institutions are collateralized by pledged assets with the Federal Reserve for those funds that exceed the $250,000 FDIC insurance limit.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Company will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Company's bond reserve and bond service investments are held in the name of the Company by a trustee. All other investments currently held are invested in or collateralized by U.S Treasury securities.

Credit Risk: The Company's Investment Guidelines ("the Guidelines") allow it to invest only in certain authorized investments which include only "Investment Securities" as defined in the Amended and Restated Revenue Bond

Resolution adopted on November 10, 2009, as supplemented on March 15, 2016. These authorized investments consist of U.S. Government and Federal Agency securities, money market mutual funds, repurchase agreements, highly rated commercial paper and corporate fixed income securities, FDIC insured bank deposits and other high quality, low risk investments. The Guidelines also require diversification of the overall portfolio to eliminate the risk of loss from an overconcentration of assets in a specific class of security, a specific maturity, or a specific issuer.

Interest Rate Risk: The Company does not have a formal policy limiting maturities of its investments. Investments are made based on the prevailing market conditions and anticipated cash needs at the time of the transaction. The Company's interest rate risk is mitigated by the relatively short maturity of the securities in which it invests.

NOTE 5 – FAIR VALUE MEASUREMENTS OF INVESTMENTS

The Company categorizes its fair value measurements using the fair value hierarchy established in GASB 72. The hierarchy is based on the valuation inputs used to measure fair value. Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted for identical assets in active markets. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing approach. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices. Assets classified in Level 3 are valued based on unobservable inputs.

The Company's fair value measurements as of December 31, 2021 of investments held in operating, reserves and bond funds are:

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Investments by fair value level:				
Money market mutual funds	$17,339,982	$ -	$ -	$17,339,982
Total	$17,339,982	$ -	$ -	$17,339,982

NOTE 6 – UTILITY PLANT, NET

The following is a schedule of utility plant for the year ended December 31, 2021:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
Capital assets, depreciable				
Buildings	$ 223,321,120	$ 8,403,000	$ (1,496,910)	$ 230,227,210
Machinery and equipment	132,453,610	10,859,517	(1,440,550)	141,872,577
Infrastructure	1,467,275,616	52,295,130	(5,569,071)	1,514,001,675
Total	1,823,050,346	71,557,647	(8,506,531)	1,886,101,462
Less accumulated depreciation for				
Buildings	(89,946,050)	(7,488,825)	1,166,759	(96,268,116)
Machinery and equipment	(68,053,409)	(10,532,829)	1,432,161	(77,154,077)
Infrastructure	(475,060,923)	(31,442,809)	4,228,230	(502,275,502)
Total	(633,060,382)	(49,464,463)	6,827,150	(675,697,695)
Capital assets, net	1,189,989,964	22,093,184	(1,679,381)	1,210,403,767
Capital assets not being depreciated				
Land	13,739,736	4,421,487	(9,920)	18,151,303
Construction in progress	108,159,655	103,699,765	(87,229,769)	124,629,651
Total	121,899,391	108,121,252	(87,239,689)	142,780,954
Utility plant, net	$1,311,889,355	$130,214,436	$(88,919,070)	$1,353,184,721

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2021, are summarized as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	CURRENT PORTION	NONCURRENT PORTION
Bonds payable	$301,605,000	$ -	$(17,435,000)	$ 284,170,000	$19,155,000	$265,015,000
KIA note payable	1,148,245	-	(94,312)	1,053,933	96,208	957,725
Unamortized debt premiums and discounts	26,361,094	-	(3,225,950)	23,135,144	-	23,135,144
Customer advances for construction	301,349	13,513	(13,719)	301,143	-	301,143
Net pension liability	95,654,375	-	(13,978,856)	81,675,519	-	81,675,519
Net OPEB liability	30,106,670	-	(5,587,812)	24,518,858	-	24,518,858
Total long-term liabilities	$455,176,733	$13,513	$(40,335,649)	$414,854,597	$19,251,208	$395,603,389

NOTE 8 – BONDS AND NOTES PAYABLE

Bonds and notes payable (without bond premium or discounts) consisted of the following at December 31, 2021:

Bonds payable (publicly traded)	
Water System Revenue Bonds, 2014A tax exempt, fixed interest rates ranging from 2.5% to 5.0% with maturities from 2014 through 2031	$ 44,895,000
Water System Revenue Bonds, 2015 tax exempt, fixed interest rates ranging from 2.0% to 5.0% with maturities from 2016 through 2035	100,540,000
Water System Revenue and Refunding Revenue Bonds, 2019 tax exempt, interest rates ranging from 2.75% to 5.0% with maturities from 2020 through 2039	138,735,000
Total bonds payable (publicly traded)	284,170,000
Notes payable (direct borrowing)	
Kentucky Infrastructure Authority ("KIA"), Drinking Water State Revolving Fund Loan Program, fixed interest rate of 2.0% and maturities from 2012 through 2031, with remaining interest payments totaling $114,148	1,053,933
Total bonds and notes payable	285,223,933
Less current portion	19,251,208
Bonds and notes payable, less current portion	$265,972,725

All bonds are subject to optional redemption provisions.

The 2009 Master Bond Resolution contains a rate covenant requiring that the schedule of rates and charges, and the rules and regulations for water services will not be revised so as to result in a decrease of revenues. Also, future adjustments to water rates and charges are required, as necessary, so that annual net revenues will not be less than 130% of the maximum Aggregate Bond Service for each Bond Fiscal Year in respect of all outstanding bonds. All revenues of the Company are pledged for the revenue bonds.

The outstanding bonds payable are publicly traded debt. According to the Master Bond Resolution, if there is an event of default (non-payment for principal or interest, bankruptcy, or violation of covenants that aren't remedied), a vote of 25% or more of the bondholders can cause an acceleration of the bonds.

The KIA loan program is considered a direct borrowing. Under the assistance agreements entered into with the KIA, upon the occurrence and continuance of any events of default, the KIA may declare all payments due. Additionally, when an event of default occurs and is continuing, the KIA can declare all payments due, exercise all rights and remedies, take legal action to enforce its rights under the agreement, and submit a formal referral to the appropriate federal agency.

Maturities of bonds and notes payable, as of December 31, 2021, are as follows:

	PRINCIPAL	INTEREST	TOTAL
Year ended December 31			
2022	$ 19,251,208	$10,771,819	$ 30,023,027
2023	19,498,142	9,851,435	29,349,577
2024	19,530,114	8,920,113	28,450,227
2025	19,557,127	7,988,600	27,545,727
2026	19,454,180	7,186,848	26,641,028
2027-2031	91,173,162	25,126,435	116,299,597
2032-2036	68,640,000	10,014,472	78,654,472
2037-2039	28,120,000	1,527,413	29,647,413
	$285,223,933	$81,387,135	$366,611,068

NOTE 9 – Dividends

The Company is required by the 2009 Master Bond Resolution to pay a dividend to Louisville Metro, the sole stockholder. The annual dividend, calculated in accordance with the provisions of the 2009 Master Bond Resolution, is equal to fifty percent (50%) of the average of the current and prior two fiscal years' net income before distributions and contributions with certain adjustments and exclusions (adjusted net income). The dividend is paid quarterly each year based on estimated annual adjusted net income. The dividend is adjusted upon completion of the annual audit to reflect any difference between estimated and actual net income, with such adjustment to be made in the quarterly dividend payments of the following year. The 2021 dividend computed under this provision was $20,172,360, resulting in an underpayment of $1,345,002 which will be added to the 2022 dividend payments.

NOTE 10 – DEFERRED COMPENSATION PLANS

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. An employee may defer up to 100% of adjusted gross compensation or $19,500, whichever is less, to the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Plan assets and liabilities are not recorded by the Company. The Company contributes $0.25 for every $1.00 of an employee's contribution up to $1,500 ($375 maximum Company contribution) to the plan. The amount contributed to the plan by the Company and charged to expense was $97,160 for the year ended December 31, 2021.

The Company also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). An eligible employee may defer up to 100% of adjusted gross compensation or $19,500, whichever is less, to the plan. As of January 1, 2015, the Company no longer contributes to this plan.

NOTE 11 – DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN – COST SHARING – CERS

General Information about the Pension and OPEB Plan: All full-time and eligible part-time employees of the Company participate in County Employee Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System ("KRS"), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS-Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Members whose participation began before 8/1/2004:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation times years of service depending on participation and retirement dates. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Non-hazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

SERVICE CREDIT	BENEFIT FACTOR
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
26+ - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5.00% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS-Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Contributions: The Company was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal year ended December 31, 2021, participating employers contributed 24.06% (19.30% allocated to pension and 4.76% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings.

The Company has met 100% of the contribution funding requirement for the year ended December 31, 2021. Total contributions for the year were $7,059,687 for pension and $1,741,146 for OPEB.

Members whose participation began before 9/1/2008:

Non-hazardous contributions equal 5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Members are entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Non-hazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Members are entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014

Non-hazardous contribution equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Members are entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

PENSION INFORMATION

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2020. An expected TPL was determined at June 30, 2021 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30%
Salary increases	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males). For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Discount rate assumptions:

(a) Discount Rate: The discount rate used to measure the TPL was 6.25%, which did not change from the prior year.

(b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

(c) Long-Term Expected Rate of Return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

(e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the TPL.

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Growth:		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity:		
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60%)
Diversifying Strategies:		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Company's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25%, as well as what the Company's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1 percentage-point higher (7.25%) than the current rate:

	1% DECREASE (5.25%)	CURRENT DISCOUNT RATE (6.25%)	1% INCREASE (7.25%)
Net position liability-Non-hazardous	$104,752,728	$81,675,519	$62,579,671

Employer's Portion of the Collective Net Pension Liability: The Company's proportionate share of the NPL, as indicated in the prior table, is $81,675,519 or approximately 1.28%. The NPL was distributed based on 2021 actual employer contributions to the plan. The Company's previous year's proportionate share of the NPL was approximately 1.25%.

Measurement Date: The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there were no changes in assumptions and benefit terms.

Changes Since Measurement Date: There were no changes between the measurement date of the collective NPL and the employer's reporting date.

Pension Expense: The Company was allocated pension expense of $8,667,814 related to the CERS for the year ending June 30, 2021.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Difference between expected and actual experience	$ 937,884	$792,716
Change of assumptions	1,096,183	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	1,778,113	263,501
Differences between expected and actual investment earnings on plan investments	-	10,885,978
	3,812,180	11,942,195
Contributions subsequent to the measurement date	3,780,455	-
Total	$7,592,635	$11,942,195

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $3,780,455 will be recognized as a reduction of NPL in the year ending December 31, 2022. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

Year ending June 30:	
2022	$ (556,020)
2023	(1,776,848)
2024	(2,388,219)
2025	(3,408,928)
	$(8,130,015)

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

OPEB INFORMATION

Total OPEB Liability: The total other postemployment benefits plan ("OPEB") liability was determined by an actuarial valuation as of June 30, 2020. An expected total OPEB liability was determined at June 30, 2021 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males). For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Discount rate assumptions:

(a) Discount Rate: The discount rate used to measure the total OPEB liability was 5.20%, which decreased from the prior year rate of 5.34%.

(b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.

(c) Long-Term Expected Rate of Return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 1.92% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(f) **Assumed Asset Allocations:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Growth:		
US Equity	21.75%	5.70%
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity:		
Core Bonds	10.00	0.00
Cash	1.50	(0.60)
Diversifying Strategies:		
Real Estate	10.00	5.40
Opportunistic	0.00	N/A
Real Return	10.00	4.55
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

(g) Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

The following presents the Company's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what the Company's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate for non-hazardous:

	1% DECREASE (4.20%)	CURRENT DISCOUNT RATE (5.20%)	1% INCREASE (6.20%)
Net OPEB liability	$33,664,208	$24,518,858	$17,013,583

The following presents the Company's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the Company's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for non-hazardous:

	1% DECREASE	CURRENT HEALTHCARE COST TREND RATE	1% INCREASE
Net OPEB liability	$17,650,664	$24,518,858	$32,808,876

Employer's Portion of the Collective OPEB Liability: The Company's proportionate share of the net OPEB liability, as indicated in the prior table, is $24,518,858, or approximately 1.28%. The net OPEB liability was distributed based on 2021 actual employer contributions to the plan. The Company's previous year's proportionate share of the net OPEB liability was approximately 1.25%.

Measurement Date: The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20%.
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: The Company was allocated OPEB expense of $3,232,393 related to the CERS for the year ending June 30, 2021.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Difference between expected and actual experience	$ 3,855,598	$ 7,320,516
Change of assumptions	6,500,415	22,799
Changes in proportion and differences between employer contributions and proportionate shares of contributions	559,525	307,772
Differences between expected and actual investment earnings on plan investments	-	3,835,635
	10,915,538	11,486,722
Contributions subsequent to the measurement date	1,657,338	-
Total	$12,572,876	$11,486,722

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $1,657,338, which includes the implicit subsidy reported of $724,956, will be recognized as a reduction of net OPEB liability in the year ending December 31, 2022. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

Year ending June 30:	
2022	$ 679,304
2023	96,396
2024	(2,048)
2025	(1,344,836)
	$ (571,184)

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

NOTE 12 – Contingencies and commitments

Self-Insurance: The Company retains certain insurable risks up to a fixed maximum per claim exposure. The risk is mitigated by maintaining a self-insured retention ("S.I.R.") of $1,000,000 per occurrence for auto and general liability claims and lawsuits with excess liability insurance above the S.I.R. in multiple layers totaling $40,000,000. Claims and suits are managed by the Company with the assistance of outside counsel.

The Company is self-insured for workers' compensation claims with excess insurance in place with a specific (per occurrence) retention of $600,000, and an aggregate limit of $3,000,000. Workers' compensation claims are managed by a third-party administrator with oversight by the Company.

Changes in the liability for self-insurance for liability and workers' compensation claims are as follows:

	2021	2020
Liability – beginning of year	$2,359,173	$2,570,309
Accruals for current year claims and changes in estimate	751,549	1,394,194
Claims paid	(734,704)	(1,605,330)
Liability – end of year	$2,376,018	$2,359,173

Claims have not exceeded coverage for the last two years.

Claims and Litigation: The Company is involved in litigation, which has arisen out of operations in the ordinary course of business. The Company accrues losses from litigation as a liability based on estimates. While it is not possible to forecast the outcomes of litigation, it is the opinion of the Company's management, based on evaluations by outside counsel, that they will not have a material adverse effect on the Financial Statements of the Company.

Construction Commitments: The estimated cost to complete construction projects under contract was approximately $90.8 million at December 31, 2021.

SCHEDULE OF THE COMPANY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

December 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Company's proportion of the net pension liability	1.28%	1.25%	1.26%	1.27%	1.24%	1.19%	1.28%	1.25%
Company's proportionate share of the net pension liability	$81,675,519	$95,654,375	$88,788,390	$77,085,962	$72,516,743	$58,797,619	$55,122,691	$40,419,796
Company's covered payroll	$32,541,243	$31,946,178	$31,845,498	$31,370,897	$29,830,808	$28,494,478	$29,911,208	$29,126,777
Company's proportionate share of the net pension liability as a percentage of its covered payroll	250,99%	299.42%	278.81%	245.72%	243.09%	206.35%	184.29%	138.77%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Notes:

1) *The amounts presented for each fiscal year were determined as of the June 30 year-end that occurred within the fiscal year.*

2) *GASB 68 requires this schedule to show information for 10 years. However, until a full 10-year trend is compiled, the Company is presenting information for those years for which information is available.*

SCHEDULE OF THE COMPANY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

December 31, 2021

	2021	2020	2019	2018
Company's proportion of the net OPEB liability	1.28%	1.25%	1.26%	1.27%
Company's proportionate share of the net OPEB liability	$24,518,858	$30,106,670	$21,229,097	$22,471,844
Company's covered payroll	$32,541,243	$31,946,178	$31,845,498	$31,370,897
Company's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.35%	94.24%	66.66%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%

Notes:

1) *The amounts presented for each fiscal year were determined as of the June 30 year-end that occurred within the fiscal year.*

2) *GASB 75 requires this schedule to show information for 10 years. However, until a full 10-year trend is compiled, the Company is presenting information for those years for which information is available.*

SCHEDULE OF THE COMPANY'S PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

December 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$7,059,687	$ 6,481,652	$ 5,651,953	$ 4,994,870	$ 4,402,741	$ 3,848,753	$ 3,680,646	$3,907,026
Contributions in relation to the statutorily required contribution	(7,059,687)	(6,481,652)	(5,651,953)	(4,994,870)	(4,402,741)	(3,848,753)	(3,680,646)	(3,907,026)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Company's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Company's covered payroll	$33,449,857	$32,757,355	$32,166,042	$31,805,010	$30,405,336	$29,125,528	$29,787,416	$29,411,439
Contributions as a percentage of its covered payroll	21.11%	19.79%	17.57%	15.70%	14.48%	13.21%	12.36%	13.28%

Note:

1) *This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Company is presenting information for those years for which information is available.*

SCHEDULE OF THE COMPANY'S PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

December 31, 2021

Changes in Assumptions and Benefit Terms:

2021: There were no changes in assumptions and benefit terms since the prior measurement date.

2020: Since the prior measurement date, there were no changes in assumptions, however benefit terms were updated as follows, which did not have a material impact on the total pension liability:

- The monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse was reduced.
- Benefits were increased for a small number of beneficiaries.

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Salary increases were increased from 3.05% to range of 3.30% - 10.30%.
- The Mortality Table was changed from RP-2000 to Pub-2010.

2018: There were no changes in assumptions and benefit terms since the prior measurement date.

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

2016: There were no changes in assumptions and benefit terms since the prior measurement date.

2015: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in Schedule D of the CERS actuary report. The changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table

projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

SCHEDULE OF THE COMPANY'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

December 31, 2021

	2021	2020	2019	2018
Statutorily required contribution	$ 1,741,146	$ 1,598,584	$ 1,832,878	$ 1,621,263
Contributions in relation to the statutorily required contribution	$ (1,741,146)	(1,598,584)	(1,832,878)	(1,621,263)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -
Company's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
Company's covered payroll	$33,449,857	$32,757,355	$32,166,042	$31,805,010
Contributions as a percentage of its covered payroll	5.21%	4.88%	5.70%	5.10%

1) *This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Company is presenting information for those years for which information is available.*

Changes in Assumptions and Benefit Terms:

2021: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20%.
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.:

2020: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34%.
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.
- Actuarial information has been updated to reflect anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December 2019

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Salary increases were increased from 3.05% to range of 3.30% - 10.30%.
- The Mortality Table was changed from RP-2000 to Pub-2010.

2018: There were no changes in assumptions and benefit terms since the prior measurement date.

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

SCHEDULE OF INVESTMENTS

December 31, 2021

	YIELD	MATURITY	PAR	FAIR MARKET VALUE
Bond Reserve Account - Treasury Obligation Fund (FOCXX)	0.01%	01/31/22	$14,723,720	$14,723,720
Bond Service Account - Series 2014A Treasury Obligation Fund (FOCXX)	0.01%	01/31/22	474,514	474,514
Bond Service Account - Series 2015 Treasury Obligation Fund (FOCXX)	0.01%	01/31/22	795,291	795,291
Bond Service Account - Series 2019 Treasury Obligation Fund (FOCXX)	0.01%	01/31/22	1,346,457	1,346,457
			$17,339,982	$17,339,982

SUMMARIZED SCHEDULE OF BOND ISSUES

December 31, 2021

2019 Series Bond Issue

The tax-exempt Water System Revenue Bonds and Refunding Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

Master Resolution Date	November 10, 2009
Sixth supplemental resolution date	September 17, 2019
Original amount	$155,540,000
Interest rate	2.75% to 5.00%
Bonds payable	November 15
Interest payable	May 15 and November 15
Call provisions in whole or in part	100% after November 15, 2029

2015 Series Bond Issue

The tax-exempt Water System Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

Master Resolution Date	November 10, 2009
Fourth supplemental resolution date	October 20, 2015
Original amount	$119,445,000
Interest rate	2.00% to 5.00%
Bonds payable	November 15
Interest payable	May 15 and November 15
Call provisions in whole or in part	100% after November 15, 2025

2014A Series Bond Issue

The tax-exempt Water System Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

Master Resolution Date	November 10, 2009
Third supplemental resolution date	July 15, 2014
Original amount	$63,195,000
Interest rate	2.50% to 5.00%
Bonds payable	November 15
Interest payable	May 15 and November 15
Call provisions in whole or in part	100% after November 15, 2022

Kentucky Infrastructure Authority (KIA)

Date of Assistance Agreement	December 1, 2009
Original amount	$1,915,499
Interest rate	2.00%
Principal & Interest payable	June 1 and December 1
Loan Maturity	December 1, 2031

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31, 2021

YEAR ENDING DECEMBER 31	2019 BONDS PRINCIPAL INSTALLMENTS	2019 BONDS INTEREST	AGGREGATE BOND SERVICE
2022	$ 9,665,000	$ 5,765,550	$ 15,430,550
2023	9,490,000	5,282,300	14,772,300
2024	9,085,000	4,807,800	13,892,800
2025	8,675,000	4,353,550	13,028,550
2026	8,260,000	3,919,800	12,179,800
2027	7,790,000	3,506,800	11,296,800
2028	7,355,000	3,117,300	10,472,300
2029	6,230,000	2,749,550	8,979,550
2030	5,050,000	2,438,050	7,488,050
2031	3,805,000	2,185,550	5,990,550
2032	7,750,000	1,995,300	9,745,300
2033	6,625,000	1,607,800	8,232,800
2034	5,305,000	1,409,050	6,714,050
2035	3,950,000	1,249,900	5,199,900
2036	11,580,000	1,131,400	12,711,400
2037	10,425,000	784,000	11,209,000
2038	9,135,000	497,313	9,632,313
2039	8,560,000	246,100	8,806,100
	$138,735,000	$47,047,113	$185,782,113

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31, 2021

	2015 BONDS		AGGREGATE
YEAR ENDING DECEMBER 31	PRINCIPAL INSTALLMENTS	INTEREST	BOND SERVICE
2022	$ 5,560,000	$ 3,462,419	$ 9,022,419
2023	5,845,000	3,184,419	9,029,419
2024	6,145,000	2,892,169	9,037,169
2025	6,430,000	2,584,919	9,014,919
2026	6,660,000	2,327,719	8,987,719
2027	6,860,000	2,127,919	8,987,919
2028	7,070,000	1,922,119	8,992,119
2029	7,285,000	1,710,019	8,995,019
2030	7,510,000	1,491,469	9,001,469
2031	7,745,000	1,256,781	9,001,781
2032	7,980,000	1,024,431	9,004,431
2033	8,225,000	785,031	9,010,031
2034	8,480,000	538,281	9,018,281
2035	8,745,000	273,279	9,018,279
	$100,540,000	$25,580,974	$126,120,974

	2014A BONDS		AGGREGATE
YEAR ENDING DECEMBER 31	PRINCIPAL INSTALLMENTS	INTEREST	BOND SERVICE
2022	$ 3,930,000	$1,523,250	$ 5,453,250
2023	4,065,000	1,366,050	5,431,050
2024	4,200,000	1,203,450	5,403,450
2025	4,350,000	1,035,450	5,385,450
2026	4,430,000	926,700	5,356,700
2027	4,525,000	815,950	5,340,950
2028	4,635,000	680,200	5,315,200
2029	4,760,000	541,150	5,301,150
2030	4,910,000	374,550	5,284,550
2031	5,090,000	178,150	5,268,150
	$44,895,000	$8,644,900	$53,539,900

YEAR ENDING DECEMBER 31	KIA NOTE PRINCIPAL INSTALLMENTS	KIA NOTE INTEREST	AGGREGATE BOND SERVICE
2022	$ 96,208	$ 20,600	$ 116,808
2023	98,142	18,666	116,808
2024	100,114	16,694	116,808
2025	102,127	14,681	116,808
2026	104,180	12,629	116,809
2027	106,274	10,535	116,809
2028	108,410	8,398	116,808
2029	110,589	6,219	116,808
2030	112,811	3,997	116,808
2031	115,078	1,729	116,807
	$1,053,933	$114,148	$1,168,081

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Year ended December 31, 2021

OPERATING AND MAINTENANCE EXPENSES FOR YEAR ENDED DECEMBER 31, 2021	
Pumping	$ 8,465,606
Water Treatment	10,847,411
Transmission and distribution	16,544,753
Customer accounts expenses	9,918,409
Administrative and general expenses	37,951,639
Operating expenses over (under) applied	4,207,902
Total operating and maintenance expenses	$87,935,720

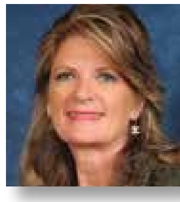
2021 CORPORATE INFORMATION

BOARD OF WATER WORKS

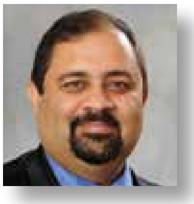
As of December 31, 2021

The Board of Water Works is the governing body of Louisville Water Company. It includes six members appointed by the Mayor of Louisville Metro, who also serves as an ex officio member. No more than three of the appointed members may be from the same political party. Board members serve staggered four-year terms and may succeed themselves.

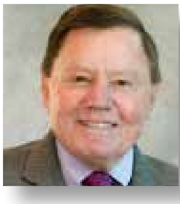
GREG FISCHER
Mayor, Louisville Metro (ex officio)



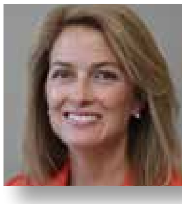
DR. SHARON KERRICK
Chair, Associate Professor, Asst. Vice President Digital Transformation Center University of Louisville



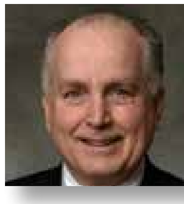
DR. SUNDEEP DRONAWAT
Vice Chair, President, Payment Holdings, CEO & Co-Founder POS on Cloud



GREG DEARING
600 West Main LLC General Manager, Louisville Federation of Retired Firefighters President



JENNIFER FUST-RUTHERFORD
Community Foundation of Louisville Director of Gift Planning



PAUL ESSELMAN
Chief Financial Officer, Mint Julep Experiences

WILLIAM E. SUMMERS IV
Former Louisville Metro Deputy Mayor

EXECUTIVE LEADERSHIP TEAM

As of December 31, 2021

Left to Right:

SPENCER BRUCE, *President and Chief Executive Officer*

ADAM CARTER, *President AFSCME Local 1683*

JEFF KNOTT, *Vice President, Information Technology and Chief Information Officer*

TIM KRAUS, *Vice President, Production Operations and Chief Engineer*

LYNN PEARSON, *Vice President, Finance and Treasurer*

KELLEY DEARING SMITH, *Vice President, Communications and Marketing*

TERRENCE SPENCE, *Vice President, Human Resources and Labor Relations*

MICHAEL TIGUE, *Vice President, Compliance, General Counsel and Corporate Secretary*

DAVE VOGEL, *Executive Vice President, Customer Service and Distribution Operations*

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