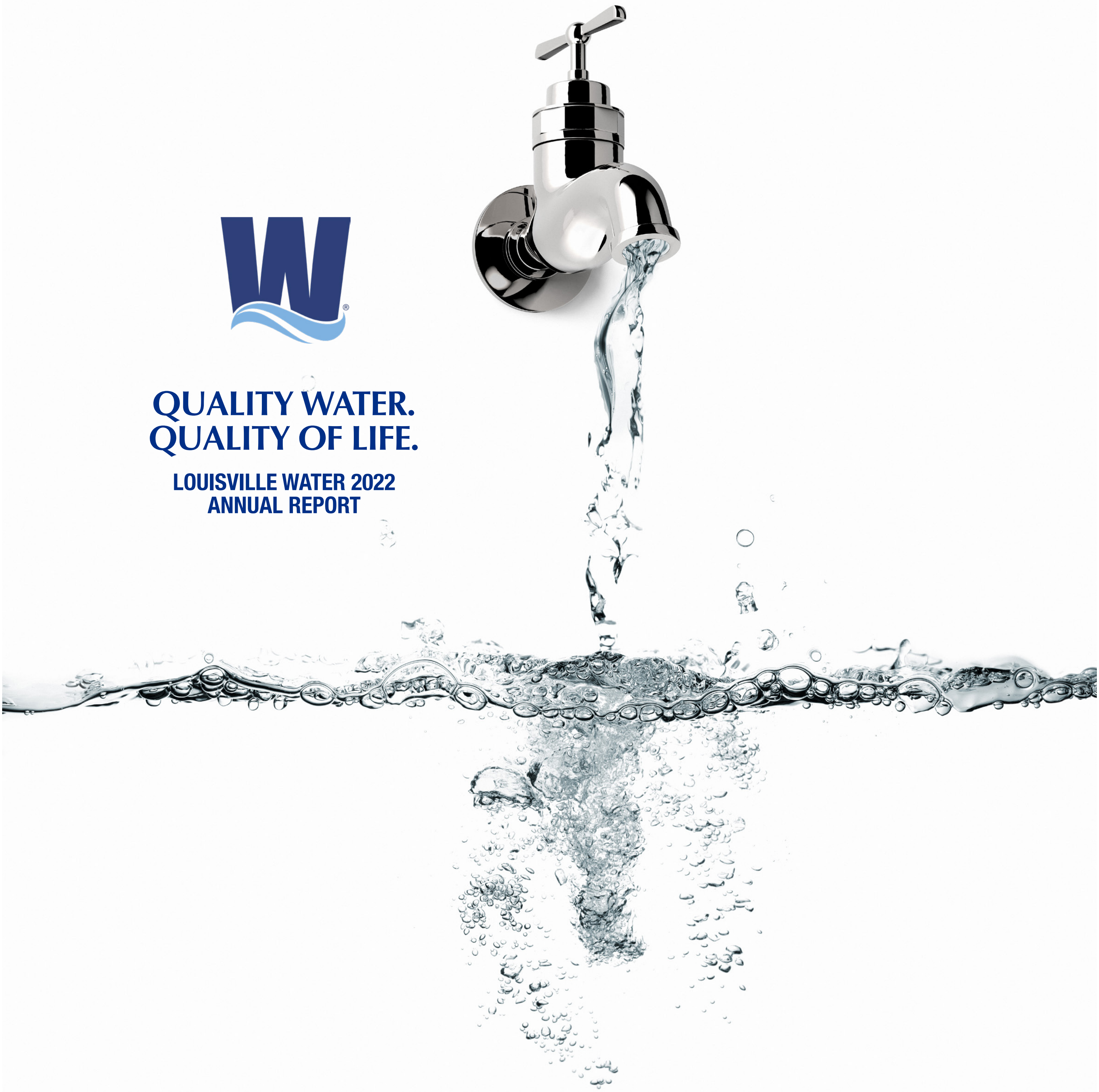
QUALITY WATER.
QUALITY OF LIFE.

LOUISVILLE WATER 2022
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 162-year history of quality, service, innovation, and value. 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

127	Million gallons per day, average daily delivery of Louisville Pure Tap®
0	Water quality violations (16 consecutive years)
4,282	Miles of water main in the system
22	Miles of new water main installed
720	Main breaks
24,953	Fire hydrants
56,294	Valves
33.5	Billion gallons sold
$203	Million in water sales
$25.78	Average residential bill for 4,000 gallons
$.009	Price for one eight-ounce glass of Louisville Pure Tap®
$3	Million in customer assistance through Drops of Kindness℠
250,000	People reached through education & outreach
15	New Branded Bottle Filling Stations

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Spencer Bruce,
President & CEO

Louisville Water Company's 2022 Annual Report shows remarkable growth in our first full year out of the COVID-19 pandemic. I am pleased to share our accomplishments and highlight how we continue to invest in our future.

Louisville Water is an anchor in this region for public health, quality of life, and a vibrant economy. The pandemic highlighted our value to the community and we have rebounded as a stronger, more resilient company. In 2022, we grew net income and delivered a dividend of $22.4 million to our owner, Louisville Metro. We launched new technology platforms to improve the customer experience, surpassed the halfway point in installing advanced metering infrastructure, and helped secure $35 million for the region in infrastructure funding to support Kentucky's largest economic development project in recent history.

Protecting public health is at the core of what we do and I'm proud that 2022 brought more awards for Louisville Water's work to deliver superior water to nearly one million people. Louisville Water is in an elite group of water utilities that have earned the highest achievement in water quality and maintaining the distribution system from the Partnership for Safe Water, a collaboration with the EPA and peer organizations. We are one of only three utilities in the country to have this designation for both treatment and distribution. Plus, consumer research shows that an overwhelming majority of customers trust us to deliver quality water. That's a commitment we value.

Our achievements in 2022 happened with more than 420 dedicated employees. Louisville Water strives to be an employer of choice and that means a focus in not only the technical aspect of jobs but the "people skills." We grew our focus on diversity, equity, inclusion, and belonging with ongoing training, a new Service Board for community engagement, and a CORE Council, a group of employees focused on a Culture of Ownership, Respect and Engagement. It's important that we value each other and our community and that we're visible beyond our work. In 2022, thousands of people interacted with Louisville Water either through a school program, an event where we served Louisville Pure Tap®, a non-profit where we volunteered, or a community festival.

For Louisville Water, 2022 was a year of outstanding performance. I'm honored to lead a company that is committed to delivering the highest-quality water and service every day.

Sincerely,

Spencer W. Bruce, PE
President & CEO

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.

SETTING THE BAR HIGH

Louisville Water provides a reliable, abundant, and high-quality supply of drinking water to nearly one million people in Louisville Metro and surrounding counties. Louisville Water is an industry model because of the high standards it upholds. In 2022, the Water Quality team achieved all its treatment and distribution water quality goals. The community can trust Louisville Water to produce safe drinking water.

Louisville Water operates an EPA-certified laboratory and for the 16th consecutive year, the company had no water quality violations. There were also no findings or recommendations following the Kentucky Division of Water's lab audit. For the second year in a row, the team accomplished its goal of maintaining fewer than two water quality complaints per every 10,000 customers for a total of just 74 in 2022.

A Kentucky Division of Water lab audit issued no findings or recommendations.

SUPERIOR QUALITY

Louisville is home to two award-winning water treatment plants: Crescent Hill Water Treatment Plant and B.E. Payne Water Treatment Plant. In 2022, the American Water Works Association presented Louisville Water with the Partnership for Safe Water Phase IV Distribution Presidents Award. Additionally, both plants maintained their status as Partnership for Safe Water Phase IV Excellence Award for treatment.

The Partnership for Safe Water awards utilities that work rigorously to deliver superior quality drinking water above and beyond what the Environmental Protection Agency (EPA) requires. Louisville Water has a team-based approach for outstanding water quality which factors in daily testing, adapting treatment to changing source water conditions, maintaining infrastructure, managing water quality as it moves through the network of pipes to homes and businesses, and taking every water quality complaint and concern seriously.

Louisville Water's water treatment plants are two of only 19 that hold the Partnership's Phase IV Excellence Award for treatment and is one of only 10 water utilities in the country with the Partnership for Safe Water Phase IV Distribution Presidents Award. Louisville Water is one of only three utilities with the highest Partnership for Safe Water Awards for both treatment and distribution.

The daily pumping average increased from 121 MGD to 127 MGD.

SCIENCE OF MANAGING RIVER CONDITIONS

The conditions in the Ohio River constantly change with the volume of water, seasonal water quality and sometimes, a spill. Louisville Water scientists effectively managed more than 100 spills on the Ohio River in 2022 with zero water quality issues.

The Ohio River stretches 981 miles and the Ohio River basin covers more than 189,000 square miles. Louisville Water is part of a multi-state network of utilities that continuously monitors the water quality in the river and is a member of ORSANCO, the Ohio River Valley Water Sanitation Commission. ORSANCO plays a critical role in monitoring river water quality and coordinating emergency spill response. Louisville Water collaborates with ORSANCO and several other utilities to evaluate pollutants in the river, find where they originated, and determine how to manage or treat them. The strategies utilized include routine water quality surveillance, enhanced monitoring to track spills or other adverse water conditions, estimating the threat for contamination, evaluating the effectiveness of various treatment methods, and providing information to the community.

Louisville Water extensively prepared for the new Lead and Copper Rule.

LEAD & COPPER RULE

Water utilities across the United States are focused on minimizing the risk for lead to get into drinking water. Louisville's drinking water does not contain lead when it leaves the treatment plants. The risk for lead getting into the water is from corrosion of plumbing materials made of lead. This includes pipes buried in the ground and homeowner's plumbing (including faucets and fixtures).

The EPA's Lead and Copper Rule outlines regulations to minimize the chance of lead contaminating drinking water. Recent revisions to the rule include efforts to remove privately owned lead and galvanized steel pipes, as well as increasing communication and educating the community about lead risks. In 2021, Louisville Water formed a cross-functional team to develop a comprehensive plan to ensure compliance when the revised rule takes effect in 2024. Progress continued through 2022 and Louisville Water is on track to meet the October 2024 deadline.

Louisville Water completed a private lead service line replacement pilot project.

MINIMIZING THE RISK FOR LEAD TO ENTER DRINKING WATER

Three principals guide Louisville Water's work with lead: balancing the water chemistry at the treatment plants (called corrosion control) to protect the water as it travels through pipes and plumbing; replacing Louisville Water and customer lead and galvanized service lines; and continuous education on the risk for lead to enter drinking water and how customers can protect themselves. Water quality testing is an important part of our work. Louisville Water offers a free water quality test kit upon request.

Several years ago, Louisville Water finished replacing its known lead service lines (more than 74,000 lines) where it had installation records.

Some customers may have a lead or galvanized steel service line on their private property and it's important to replace those too. With health and safety in mind, Louisville Water successfully completed a private service line identification and replacement pilot project in 2022. It covered 100% of the cost to identify and replace customers' private lead and galvanized service lines. Using lessons learned during the pilot, the company launched a public program in fall 2022 that paid 100% of the cost to replace a customer-owned lead or galvanized service line (up to the shutoff valve). Louisville Water began to reach out to nearly 800 property owners with known private lead service lines and by the end of 2022, 120 customers had taken advantage of the offer through one of the programs. Louisville Water will replace those identified lines in 2023 and will continue outreach efforts to notify additional customers about the program.

CRESCENT HILL & B.E. PAYNE WATER TREATMENT PLANTS RANK AS **TWO** OF THE **TOP 19** IN THE COUNTRY.

LOUISVILLE WATER PRODUCES AN AVERAGE OF **127 MILLION GALLONS** EVERY DAY.

LOUISVILLE PURE TAP® COSTS LESS THAN **A PENNY** PER GALLON.

INVESTING IN THE FUTURE

It's worth repeating that high-quality, reliable water is critical to building and sustaining a vibrant economy. Water is the lifeline of Kentucky's top industries—agriculture, manufacturing, distilling and brewing, health care, and education.

Louisville Water dedicates the largest percentage of its capital budget to build and maintain its infrastructure. The programs for small and large water mains are considered best-practices by others in the water industry.

In 2022, Louisville Water's total capital spend reached a new record: $105.3 million. Through the company's Main Replacement and Rehabilitation Program, engineers planned for projects to replace about 10 miles of water mains at a cost of just over $22 million.

Louisville Water replaced an 1870-era Frankfort Avenue water main.

LAYING THE UNDERGROUND WORK

Perhaps one of the largest and most noticeable projects visible to the public in 2022 was the Frankfort Avenue main replacement in Louisville's Crescent Hill and Clifton neighborhoods. This $17 million project increased the size and reliability of critical water mains near the Crescent Hill Water Treatment Plant. In August 2021, crews started working to replace an 1870-era water main underneath Frankfort Avenue and completed the work in fall 2022.

The Crescent Hill facility is the largest water treatment plant in the state and supplies water to Louisville Water's massive distribution network. The new 60-inch and 42-inch water mains under Frankfort Avenue provide additional supply lines and more flexibility to move and reroute water to customers.

During the project, crews removed old trolley lines and repaired existing sidewalks, installed a new sidewalk to offer a safe walking path, and planted new trees.

A big component of the project was to keep communication flowing with the people who live in that area, business owners, city leaders, and the staff and families at Field Elementary, which sits behind the Crescent Hill plant. Throughout the project, staff provided regular stakeholder communication and participated in nearly a dozen community events.

FILTERING FOR TOP-NOTCH PERFORMANCE

Completing the South Filter Building Rehabilitation was another accomplishment for 2022.

Inside the South Filter Building.

Located at the Crescent Hill Water Treatment Plant, the project began in spring 2021 and was no small feat.

Contractors replaced the South Filter anthracite coal and sand media, valves, and troughs; and installed a filter-to-waste recycling system. As part of the renovations, crews replaced the air scour system which is used to help clean the filters. Safety measures included painting the building and eliminating the risk of any lead-based paint, replacing lighting, and repairing walkways and handrails.

This project should extend the life of the South Filters by 25 years.

Equipment in part of the North Filter section was demolished in order to convert the area for storage and other general use.

PROACTIVE INVESTMENTS EQUAL RELIABLE SERVICE

Regular inspection and work are important to maintain the nearly 4,300 miles of water main that deliver our drinking water. Using technology and robotic devices to inspect large water mains helps Louisville Water care for its vast network of pipes.

In November 2022, Louisville Water worked with crews to lower a six-foot, free-swimming robot called PipeDiver®, into a 60-inch water main at the B.E. Payne Water Treatment Plant. Propelling itself with the help of water flow, PipeDiver navigated a little more than 11 miles of water main throughout the eastern part of Jefferson County.

The PipeDiver® robot inspected 11 miles of water mains.

The device sent electromagnetic signals that recorded the condition of the pipe and a camera captured images along the way. The inspection report showed minimal changes in the pipe's condition since its first inspection in 2011, identifying only a few areas for repairs.

Louisville Water first used robotic technology in 2009 to inspect its large water mains. As part of its preventive maintenance approach, the information gathered helps Louisville Water with its long-term planning in infrastructural investment.

PRESERVING A LOCAL AND NATIONAL HISTORIC LANDMARK

The Louisville Water Tower is a local treasure and National Historic Landmark. Like all things steeped in history, it requires work to protect and preserve it.

In summer 2022, Louisville Water began to restore the Louisville Water Tower and repair the company's original Pumping Station No. 1. Scaffolding scaled the 185-foot tower. Workers stripped the columns that surround the tower and line the original Pumping Station No. 1 to repair cracks.

Statues that circle the balustrade returned to Louisville following a makeover and will remain in storage until the tower work is complete.

Inside Pumping Station No. 1, workers transformed the event space, updated the WaterWorks Museum, and added acoustic panels while also painting and installing new carpet.

Though no longer operational for today's water production, the Louisville Water Tower was built in 1860 for the original water works. The tower is the nation's oldest standing ornamental water tower. Louisville Water is committed to preserving this iconic structure. It symbolizes the quality and innovation that Louisville Water has embodied for more than 160 years.

Crews are restoring this National Historic Landmark.

$105.3 MILLION CAPITAL EXPENDITURES

2 WATER TREATMENT PLANTS AND **31** WATER STORAGE TANKS

MORE THAN **4,200 MILES** OF WATER MAINS IN LOUISVILLE

PURE CONNECT℠

While Louisville Water is known for its exceptional water, the company realized it needed to modernize the digital experience for its customers. In 2022, Louisville Water launched a new flow of information with Pure Connect. The online portal provides a range of self-service options for bill payments and allows customers to view water usage reports, sign up for alerts, and submit common requests.

Within six months of launching Pure Connect, more than 100,000 customers created an online account. That's five times more than the 20,000 customers who used the previous portal.

Pure Connect provides an enhanced digital experience for customers.

A MILESTONE IN METER UPGRADES

Louisville Water passed the halfway mark in a four-year project to upgrade water meters across Jefferson County. The new technology uses wireless communication to provide customers with real-time access to their water usage data through the Pure Connect portal.

Louisville Water started the advanced metering infrastructure (AMI) project in 2020. In 2022, the company installed 61,500 meters for a total of 135,000 since the project began. Another benefit of this project is moving all residential customers to monthly billing. Louisville Water converted 42,000 customers to monthly billing in 2022, for a total of 71,000 since the project began.

AMI offers significant benefits not only to customers but also to Louisville Water operations. For example, the new technology creates a safer work environment for crews by eliminating the need for them to walk long routes, especially in high-traffic areas, to manually collect water readings. AMI also reduced more than 7,000 "truck rolls" in 2022 by leveraging the remote data and completing start/stop orders in the office. Now, employees can transfer the service without visiting the address.

A special webpage, LouisvilleWater.com/meterupgrade allows customers to track the status of their meter upgrade and learn more about the project.

Louisville Water installed more than 61,500 advanced meters in 2022.

SURVEY SHOWS HIGH LEVELS OF CUSTOMER SATISFACTION

A large majority of Louisville Water customers are satisfied with the quality and service they receive. That's according to research from an independent firm.

Louisville Water uses regular quantitative and qualitative surveys to measure customer satisfaction, brand perception, and brand reputation. Asked if they thought the cost of Louisville Water at "less than a penny a gallon" was reasonable, 82% of customers felt it was a good, very good, or excellent value. Customers also gave Louisville Water high marks for customer service: 73% of respondents reported having a positive experience.

A survey found 79% of customers are satisfied with Louisville Water's service.

CONNECTING & LEARNING

2022 brought back a full year of in-person educational programs and events. In fact, events and festivals where we served Louisville Pure Tap® returned to pre-COVID numbers, reaching more than 250,000 people. This includes serving water at more than 50 community events in addition to loaning nearly 800 Pure Tap coolers for public use.

Louisville Water's Education and Outreach team visited more than 100 schools and community groups. Overall, team members connected with more than 40,000 children and adults through educational lessons in Jefferson and surrounding counties. Highlights included teaching children how to properly wash their hands, exploring the science of how we produce drinking water, and looking at career opportunities in water.

Louisville Water also published its first children's storybook featuring its beloved mascot, Tapper. *Tapper's Big Adventure: Where's the Water?* illustrates how Louisville Pure Tap helps keep the community healthy, hydrated, and working. The book is available for purchase and Louisville Water donated copies to libraries and schools.

Pure Tap was served at more than 50 community events.

42,000 CUSTOMERS CONVERTED TO MONTHLY BILLING.

50 COMMUNITY EVENTS TO SERVE LOUISVILLE PURE TAP.

40,000 CHILDREN AND ADULTS PARTICIPATED IN EDUCATION AND OUTREACH PROGRAMS.

EMPLOYER OF CHOICE

Being an employer of choice is rooted in the culture of Louisville Water. Listening to and working with employees, the company launched several new initiatives to attract and retain talent, improve the culture, and acknowledge what matters to employees.

EMPLOYEE REFERRAL BONUS INCENTIVE PROGRAM

Finding great employees can be difficult in a tight labor market, and since the pandemic, recruitment has been a challenge throughout the industry and across the United States. In 2022, Louisville Water launched a program to provide a bonus to employees who refer someone to work at the company—up to $1,500 if the candidate is hired and remains in the position at least a year.

The program reduces hiring time by speeding up both recruitment and selection. It also saves Louisville Water money by reducing the number of candidate interviews and avoiding the cost of employees who leave not long after being hired.

Employees encourage friends and family to apply for Louisville Water jobs.

SAFETY AND SECURITY

Safety is a priority at Louisville Water. Employees in the Safety Department developed monthly themes that focused on different aspects of a safe work environment. The staff provided information across the company on best practices in areas such as hearing protection, work zone safety, and slip, trip, and fall precautions.

The company also required training on topics ranging from emergency procedures to back injury prevention to driver safety. In 2022, Louisville Water began incorporating training hours into performance metrics.

Louisville Water expanded its security program by adding a new physical security contractor with more than 30 trained officers for 24-hour coverage at critical sites. The company also invested more than $300,000 in facility security enhancements and hired a new security specialist as well as a corporate security officer.

Safety is always a Louisville Water priority.

LOUISVILLE WATER EMPLOYEE ACTIVITY COMMITTEE

With the leadership of employees from a range of departments and Louisville Water facilities, the Employee Activity Committee (EAC) plans, coordinates, and hosts breakfasts, luncheons, ice cream socials, and fun activities. For the second year, the EAC organized an Employee Appreciation Week filled with donuts, food trucks and boxed lunches, Tapper t-shirts, and ice cream treats.

These events contribute to the company's inclusive culture and facilitate interaction between employees who might not normally have the chance to connect outside of work.

The Employee Activity Committee sponsors a wide range of fun events, like Purely Local t-shirt day.

HEALTH AND WELLNESS

To help employees maintain affordable health insurance coverage for themselves and their families, Louisville Water negotiated a two-year premium rate contract with a zero percent increase during the second year. Since 2020, the company has worked to keep employees safe and healthy during the COVID-19 pandemic. In 2022, each employee received five additional days of paid leave for their continued dedication and commitment to providing high-quality, safe water for Louisville and surrounding communities during the height of the pandemic.

Held at three Louisville Water facilities, Employee Wellness Days promoted healthy lifestyles. These events included on-site health screenings as well as information sessions with local healthcare providers.

DIVERSITY, EQUITY, INCLUSION & BELONGING INITIATIVE

Louisville Water is committed to providing an inclusive, respectful, and safe workplace for all employees. The company achieved several Diversity, Equity, Inclusion & Belonging milestones in 2022, including conducting focus groups and launching a training program for all employees with a special emphasis on management.

Established in 2022, the Louisville Water CORE (Culture of Ownership, Respect, and Engagement) Council, spearheaded important discussions about diversity and inclusion. Representing departments throughout the company, CORE members explore and implement the most effective approaches to fostering a work culture in which all employees feel respected and meaningfully engaged. The council celebrates communities and cultures representing the diversity of our employees as well as our customers.

Louisville Water also implemented Equal Employment Opportunity accommodations by installing locks on restroom doors with signage indicating occupied or vacant. Employees can use the locks at their discretion to ensure privacy, dignity, respect, and safety.

SAFETY PERFORMANCE

2.72 OSHA RECORDABLE RATE (PER 100 EMPLOYEES)

13 OSHA RECORDABLES

952,837 HOURS WORKED BY EMPLOYEES

0.62 PREVENTABLE MOTOR VEHICLE ACCIDENT RATE PER **100,000** MILES DRIVEN

11 PREVENTABLE MOTOR VEHICLE ACCIDENTS

1,769,086 MILES DRIVEN

TRAINING & DEVELOPMENT

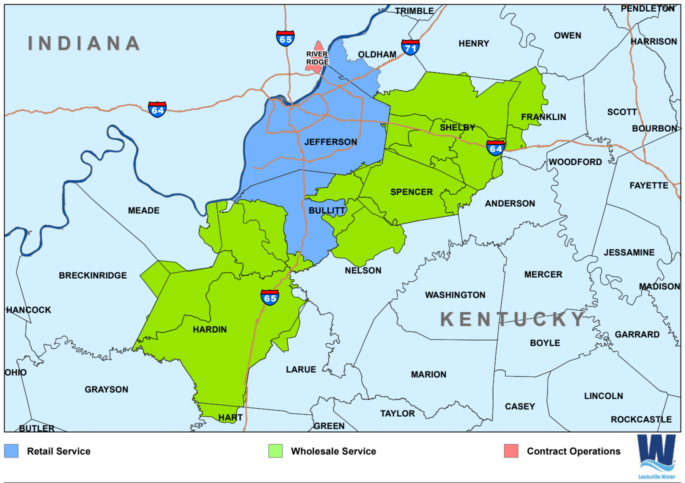
TRAINING HOURS COMPLETED THROUGH LEARNING & DEVELOPMENT: **3,445** (AN INCREASE OF 1,000 HOURS OVER 2021)

The CORE Council leads critical diversity, equity, inclusion, and belonging discussions.

Louisville Water is committed to growing its business through regionalization, products and services, and digital transformation.

WHOLESALE WATER AGREEMENTS

Working to enhance wholesale and regional operations, Louisville Water signed a new 52-year agreement with Hardin County Water District #2 to supply up to 11 MGD (million gallons per day) with a minimum purchase agreement of 7 MGD by 2036. Louisville Water also worked to finalize an agreement with North Nelson Water District to increase water sales. North Nelson will resell a minimum of 1 MGD of our water to the city of Bardstown. These opportunities add to the impact of regional partnerships to supply drinking water to surrounding communities. Wholesale water sales in 2022 totaled nearly 3.2 billion gallons. That's 22% higher than the five-year average.



SECURING $35 MILLION FOR REGIONAL WATER INFRASTRUCTURE

Louisville Water formed a coalition to support regional water system improvements and secure a $35 million appropriation in Kentucky's budget during the 2022 session of the General Assembly.

The company directly serves Bullitt County and provides water to Hardin and Nelson counties through wholesale agreements. The region is poised for growth because of the Ford BlueOval SK Battery Park, Nucor Steel in Meade County, and the booming bourbon industry. In response to these economic development opportunities, Louisville Water partnered with regional water suppliers, economic development professionals, and elected officials from Bullitt, Hardin, Nelson, and Meade counties.

Source: Hardin County Water District No. 2 documented progress at Ford BlueOval SK Battery Park in Glendale.

The coalition successfully lobbied the Kentucky General Assembly and secured the following funding:

- Hardin County will receive $10 million to construct water system improvements to serve the Ford BlueOval SK Battery Park.
- Nelson County will receive $10 million to construct a transmission main from Bullitt County to Bardstown.
- Meade County will receive $10 million to construct a transmission main from Hardin County to Brandenburg.
- Bullitt County will receive $5 million to subsidize a transmission main Louisville Water is building along the I-65 corridor.

With these investments, Louisville Water is poised to meet the growing water demands of the region for decades to come.

WATER GROWS KY℠

Part of the regional growth comes from economic development since counties outside of Jefferson County have more available land for new business. The company launched the Water Grows KY campaign in 2022 to highlight the value of water to key industries. The campaign provides speakers for events sponsored by economic development groups and other organizations throughout Kentucky.

Water Grows KY also features a multimedia campaign with content and social media. These messages explain why water is the lifeline of Kentucky's top industries—agriculture, distilling and brewing, education, health care, and manufacturing.

Water Grows KY spotlights the value of water to key industries.

WATERPRO WATER LEAK PROTECTION PLAN℠

Louisville Water developed and launched the WaterPro Water Leak Protection Plan℠ in 2021 to offer customers a way to guard against excess water and wastewater costs if they have a home plumbing leak. Customers who opt-in for an additional $3 on their monthly Louisville Water bill are protected up to $3,000 in excess charges because of a qualifying leak. By the end of 2022, more than 450 customers had signed up for the program. In 2023, there are plans for a larger rollout to the entire service area.

HOMESERVE

Louisville Water first partnered with HomeServe in 2007 to generate additional revenue while offering customers affordable home plumbing repair plans. Customers have been very satisfied with this program. At the end of 2022, approximately one in three residential customers had a HomeServe plan, resulting in nearly $4.2 million in revenue.

UPGRADING INTERNAL SYSTEMS

Equipping employees with the most up-to-date digital tools is critical to success, and Louisville Water enhanced many of its operational systems in 2022. For instance, the company upgraded its E-business Suite, Customer Care & Billing application, Work Order and Management system, and Geographic Information System to optimize the full benefits they provide.

CYBERSECURITY

The company is committed to maintaining the security of its digital systems. In 2022, Louisville Water coordinated with the Department of Homeland Security to complete an enterprise-wide cybersecurity exercise. Employees representing several departments met to assess their current practices, participate in explorative scenario exercises, and discuss where they might make modifications to improve current practices.

BEST PLACE TO WALK IN LOUISVILLE

LEO Weekly chose Louisville Water's historic Crescent Hill Reservoir as the "Best Place for a Quick Walk." The publication pointed out that the path around the reservoir is "man-made, but the body of water is nonetheless beautiful and easily tricks the mind into thinking you're out in the country while you're still in the city."

Crescent Hill Reservoir named Best Place to Walk in Louisville.

LYLE SENDLEIN AWARD

Director of Water Quality and Research Pete Goodmann received the 2022 Lyle Sendlein Award for Outstanding Contributions in Water Resources Practice at the Kentucky Water Resources Research Institute's annual conference.

The institute presents the award to a water professional who has made significant contributions in addressing water resource problems. Goodmann's work spans decades, and he now oversees Louisville Water's water quality compliance, distribution water quality, cross connection, and research programs to ensure the utility is compliant with federal and state water quality regulations.

Pete Goodmann received the Lyle Sendlein Award.

DISTINGUISHED ENGINEER AWARDS

Two of Louisville Water's engineers received top honors at the Kentucky Section Annual Meeting of the American Society of Civil Engineers (ASCE):

- Jordan Basham, Director of Infrastructure Planning, received the Distinguished Young Engineer Award.
- Denise Aaron, Project Engineer, received the Distinguished Engineer in the Public Sector Award.

"It is such an honor to be recognized as ASCE's Distinguished Young Engineer," Basham said, "and the work I do at Louisville Water has allowed me to grow and give back to the profession in ways I couldn't have dreamed of at the start of my career. I am thankful every day for the opportunity to plan the future of water in my community."

Aaron said she is "grateful for the opportunity that working in the public sector for Louisville Water has given me to help provide a better quality of life to customers through extending and replacing water mains and eliminating lead services."

Jordan Basham and Denise Aaron received prestigious engineering awards.

KENNETH J. MILLER FOUNDERS' AWARD

Scott Clark, Louisville Water AMI Analyst, received the 2022 Kenneth J. Miller Founder's Award from Water For People, an international nonprofit organization founded by the American Water Works Association (AWWA) to help developing countries achieve greater access to potable water and sanitation facilities.

The award honors the organization's outstanding volunteers. Clark's efforts on behalf of Water For People include several years of participating in fundraising events and serving as a Water For People committee member as well as a liaison for the Kentucky/Tennessee Section of AWWA.

"I believe everyone should have access to reliable water and sanitation services and this embodies the mission of Water For People," Clark said. "We take for granted the services we have here in the states, but so many have limited or no access to these basic life needs."

Scott Clark (right) awarded the Kenneth J. Miller Founders' Award.

SAFETY PROFESSIONAL OF THE YEAR

The Louisville chapter of the American Society of Safety Professionals (ASSP) presented the 2022 Safety Professional of the Year Award to Brad Hart, Louisville Water Manager of Security and Emergency Preparedness.

ASSP members select nominees for the award who go above and beyond to advance safety measures for their workplace and co-workers. In his six years with Louisville Water, Hart has contributed to almost every safety program in the company. In his latest role, he focuses on improving physical and technological protection measures at all five primary Louisville Water facilities.

Brad Hart named the 2022 Safety Professional of the Year.

ONE WATER PARTNER OF THE YEAR

Through a new recognition program honoring the partnership between Louisville Water and Louisville MSD, Megan Hancock, Louisville Water's Director of Customer Service, and Bill Malcolm, One Water's Director of Fleet Services, each received an inaugural Partner of the Year Award.

Hancock was instrumental in implementing the Drops of Kindness℠ customer assistance program. Thanks to her hard work and dedication, more than 25,000 customers received $9 million to help pay their water bill in 2021. Malcolm oversees both Louisville Water and Louisville MSD's Fleet Operations. He led a project to replace the Fleet Management System with a new web-based system that both utilities use every day.

Bill Malcolm and Megan Hancock received One Water Partner of the Year Awards.

PRSA AWARDS

Louisville Water's Communications and Marketing team received two Landmarks of Excellence awards from the Bluegrass Chapter of the Public Relations Society of America. The team received a Public Service Communications Award for their work rolling out Pure Connect℠, a new customer billing platform, and a Video Shorts Award for a video about the benefits of Advanced Metering Infrastructure and the billing portal. The team also received an honorable mention in Overall Communications for the Water Grows KY℠ campaign, which focuses on water's role in economic development.

Landmark of Excellence Awards.

RECOGNIZING EXCELLENCE IN WATER TREATMENT

In 2022, Louisville Water maintained its Phase IV Excellence Award at both of its treatment plants. This award is the highest distinction for performance from the Partnership for Safe Water, a cooperative effort between the Environmental Protection Agency, American Water Works Association, Association of Metropolitan Water Agencies, National Association of Water Companies, and Association of State Drinking Water Administrators.

Louisville Water also received the Phase IV Distribution Presidents Award from the Partnership for Safe Water, making the company one of only 10 water utilities in the country to earn this designation and one of only three to earn both of the highest treatment and distribution designations. The awards recognize water utilities for long-term commitment to optimizing operations, achieving outstanding performance, and protecting the environment as well as public health.

Louisville Water received two of the industry's top awards for excellence.

COMMUNITY ENGAGEMENT

LOUISVILLE WATER SERVICE BOARD

In 2022, Louisville Water created a Service Board to guide its community service efforts. This board includes 10 employees from diverse departments who commit to increasing employee engagement in the community and encouraging participation in fundraising events to support local charities.

The Service Board's company-wide Pledge Drive, which included both payroll and one-time donations, raised $121,000 for four selected charities: Metro United Way, Fund for the Arts, Louisville Water Foundation, and Water For People.

Because of the work of the Service Board and the generosity of employees, Louisville Water was a top fundraiser for the Fund for the Arts. In addition, the board's efforts to encourage employees to support the holiday Angel Tree program led to Louisville Water's selection as the Salvation Army's Volunteer Group of the Year in 2022.

The Service Board leads community involvement through philanthropic leadership.

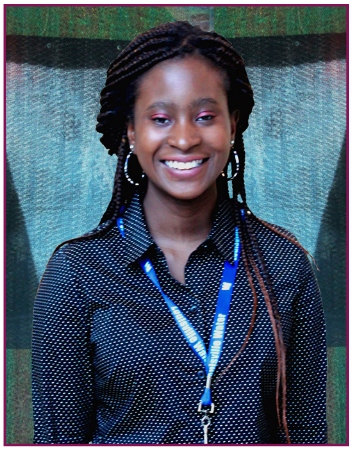
DROPS OF KINDNESS[SM]

Louisville Water donated $250,000 in 2022 to help fund the Drops of Kindness customer assistance program. The company made the donation to the Louisville Water Foundation, which coordinates funding to local agencies for Drops of Kindness and water-related charitable and education efforts. The Foundation provides funding for customer support to organizations in the three counties (Jefferson, Bullitt, and Oldham) where Louisville Water provides water service.

THOMAS FAMILY SCHOLARSHIP

Jefferson County Public Schools senior Eniayo Destiny Iyun received Louisville Water's $10,000 Thomas Family Scholarship, which is named after the first Black employee on the company's payroll. Iyun maintained a 4.04 GPA while working during the pandemic to help vaccinate her community at a West Louisville health clinic.

In addition to submitting an application and academic transcripts, applicants for the scholarship write an essay on the importance of water. Iyun wrote, "Safe water is vital for sustaining development because it is the cord that binds the environment and society together." After receiving the scholarship, she graduated with honors from Central High School Magnet Career Academy where she took pre-med classes. In the fall, she began attending Berea College with a major in Biology.

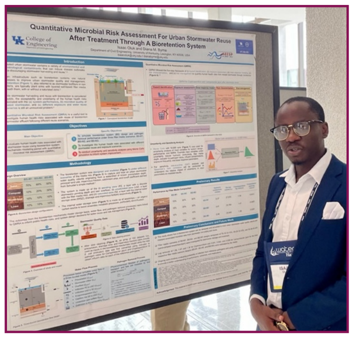


Eniayo Destiny Iyun won the Thomas Family Scholarship.

DR. RENGAO SONG SCHOLARSHIP

Isaac Oluk, a University of Kentucky graduate student, received the $10,000 Rengao Song Scholarship for Water Science and Technology at the 2022 Kentucky/Tennessee Water Professionals Conference in Lexington. This was the second year for the award, established in part by Louisville Water and named after one of our most distinguished scientists. Dr. Song retired in October 2020 as the Director of Water Quality and Research after serving more than 20 years with the company.

Oluk received the award for his research on urban stormwater. He investigated how this water is treated and then reused. He explored the potential health risks depending on how the water is reused, for example, in vegetable irrigation



Isaac Oluk received the Dr. Rengao Song Scholarship.

or recreational swimming. After receiving the scholarship, Oluk graduated with a Master's in Civil Engineering at the University of Kentucky and began pursuing a PhD in Civil Engineering.

WATER EQUITY NETWORK

As a member of the US Water Alliance, Louisville Water participates in the Water Equity Network, a national network of peer cities that helps water/wastewater utilities and community partners collaborate to launch and sustain efforts to build a more equitable water future. In 2022, a team of Louisville Water, Louisville MSD, and community members looked at affordability and started work to develop a long-term affordability roadmap.

TORNADO AND FLOOD RELIEF

The December 2021 storms that spawned devastating tornadoes in western Kentucky brought photos from two families all the way to Louisville Water facilities. These families are among the recipients of funds from a $50,000 donation that Louisville Water set aside in early 2022 for recovery efforts.

Soon after the first donation, Louisville Water's Executive Leadership Team developed a committee of employees from diverse backgrounds and multiple departments to guide the company's contributions to a range of charities and organizations. During the summer, the Board of Water Works (Louisville Water's governing body) agreed to provide $25,000 of the $50,000 donation to communities in eastern Kentucky because of historic flooding in the area. In the fall, the employees who selected the western Kentucky donations also chose several eastern Kentucky charities and organizations to support.

SENDING HELP TO EASTERN KENTUCKY

Louisville Water provided not only financial support to eastern Kentucky, but also sent crews to areas where torrential flooding killed at least 37 people, swept away homes, and left thousands of residents with nothing but the clothes on their backs.

Kentucky's Water/Wastewater Agency Response Network (KYWARN) called on more than 20 utilities across the state for assistance and requested Louisville Water's help specifically in Hazard, which suffered catastrophic damage to its water main system.

For three weeks, Louisville Water worked alongside other utilities to restore water service to thousands of residents. The team provided organizational and logistical support. They toured and assessed the damage and helped complete more than 80 repairs. This included fixing damaged or exposed mains, pressurizing and flushing water mains, repairing pipes and service lines, and locating valves. In addition, crew members tackled five separate sites to repair water mains, and in some cases, install new sections of pipe.

WaterStep, a Louisville-based non-profit, also worked in the region. WaterStep sent its mobile water treatment systems known as WOW (Water on Wheels) carts. A Louisville Water employee helped set up the carts to provide temporary water infrastructure for showers, toilets, and washing machines.

4,294 VOLUNTEER HOURS

128 ORGANIZATIONS

25% INCREASE OVER 2021

Employees chose charities to help western Kentucky recover.

Louisville Water crews restored water to parts of eastern Kentucky.

Louisville Water's financial performance in 2022 was positive, despite the challenges presented by a significant inflationary environment. Water consumption held steady with 2021 levels, and overall operating revenue grew by 4.4 percent. The Company faced higher than normal cost increases as a result of inflation. However, a lower loss on the disposal of assets combined with a decrease in actuarial expenses related to pension and post-retirement benefits helped offset those higher costs. Net income increased by $1.6 million or 3.3 percent. Total shareholder value provided to Louisville Metro through the dividend and free water service also improved, totaling $43.4 million, as compared to $40 million in 2021.

Water consumption was 33.5 billion gallons in 2022, on par with 2021 and in line with pre-pandemic levels. Commercial and irrigation water consumption both showed strong growth in 2022, but those gains were offset by declines in residential and wholesale consumption. Despite the dip in wholesale water sales in 2022, this category has exhibited robust growth over the past five years. Wholesale water sales, along with alternative lines of revenue are a key strategy to combat ongoing declines in retail water consumption. In 2022, other operating revenue increased by 12.4 percent.

Operating expenses were up 4.9 percent in 2022 as compared to the prior year. Excluding a decline in expense related to pension and other post-retirement benefits, the increase was 6.9 percent. This increase was a result of higher Operating and Maintenance Expense, Depreciation and Amortization, and Water and Fire Service Provided in Lieu of Taxes partially offset by a reduction in the loss on sale of assets. Operating and Maintenance Expenses increased 9.3 percent, with inflationary pressures driving higher than normal increases in almost every category.

Investing in infrastructure

In 2022, Louisville Water invested $105.3 million in our infrastructure and technology. The top three projects accounted for 30 percent of capital funds spent: the advanced metering project, the replacement of a water main along Frankfort Avenue, and renovating a building at the Crescent Hill Water Treatment Plant for future offices. In 2023, the capital program budget is $117.1 million and more than 60 percent is devoted to infrastructure renewal.

Louisville Water anticipates financial performance will be stable in 2023, though the state of the economy could affect the outcomes. It will continue to monitor inflation and other economic factors and take appropriate steps to preserve its strong financial performance. Louisville Water remains focused on growing business through regional partnerships and innovation to grow long-term financial viability.

HISTORICAL REVIEW

(000s)	2018	2019	2020	2021	2022
Water Revenue	$ 175,029	$ 182,053	$ 183,839	$ 195,962	**$ 203,187**
Other Operating Revenue	$ 16,929	$ 18,315	$ 17,913	$ 18,638	**$ 20,948**
Operating Expenses*	$ 137,624	$ 145,829	$ 152,534	$ 156,799	**$ 167,593**
GASB 68/75 Pension/OPEB Actuarial Adjustment	$ 8,531	$ 10,467	$ 10,361	$ 2,657	**$ (393)**
Net Non-Operating Expenses	$ (4,751)	$ (5,458)	$ (5,813)	$ (4,795)	**$ (4,947)**
Net Income before Distributions and Contributions	$ 41,052	$ 38,614	$ 33,044	$ 50,349	**$ 51,988**

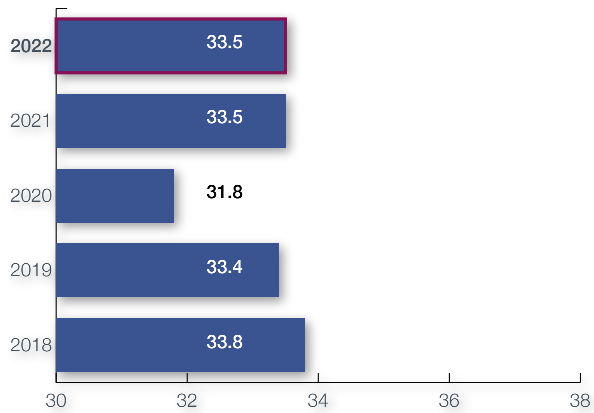
**Does not include GASB 68/75 Pension/OPEB Actuarial Adjustment*

OPERATIONS

(amount in millions of gallons)	2018	2019	2020	2021	2022
Water Delivered to Mains (Net System Delivery)	43,570	43,623	42,523	44,946	**46,440**
Average Daily Pumpage	119	119	116	123	**127**
Maximum Daily Pumpage	152	159	147	161	**172**
Percent of Water Metered	78%	77%	75%	76%	**73%**

TOTAL CONSUMPTION

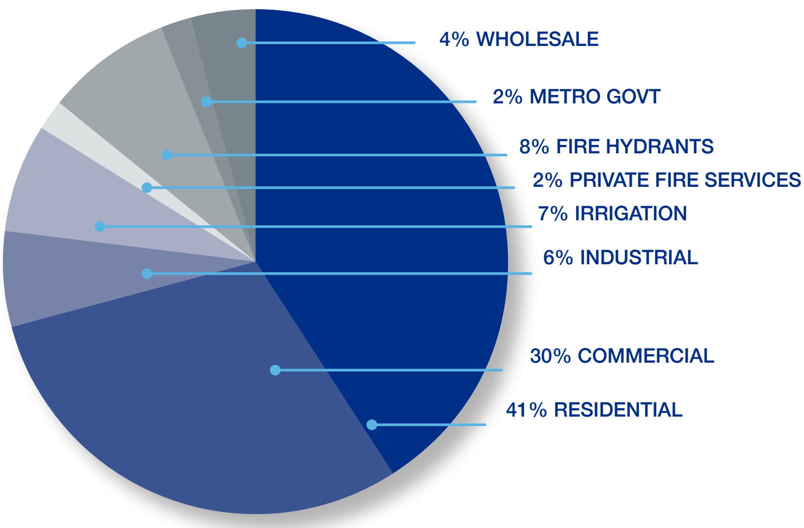
(in billion gallons)



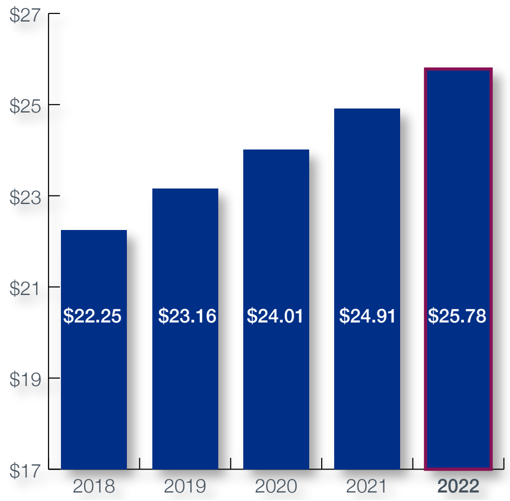
SALE OF WATER

	Number of customers at December 31		Consumption - ytd gallons (000s)		Revenue - ytd (in 000s)	
	2022	2021	2022	2021	2022	2021
Residential	257,813	257,083	11,893,884	12,511,872	$ 82,273	$ 81,619
Commercial	23,573	23,498	11,843,880	11,255,019	60,494	56,504
Industrial	455	443	3,395,836	3,372,248	12,667	12,182
Irrigation	14,079	13,686	2,149,253	2,003,808	14,707	13,371
Fire Services	4,817	4,773	52,358	51,460	4,099	3,975
Wholesale	9	9	3,188,498	3,449,690	8,119	8,588
Total	300,746	299,492	32,523,709	32,644,097	182,359	176,239
Public Fire Hydrants	24,953	24,817	-	-	16,627	15,976
Metro Govt	641	634	933,120	838,472	4,201	3,747
Total	25,594	25,451	933,120	838,472	20,828	19,723
Grand Totals	326,340	324,943	33,456,829	33,482,569	$ 203,187	$ 195,962

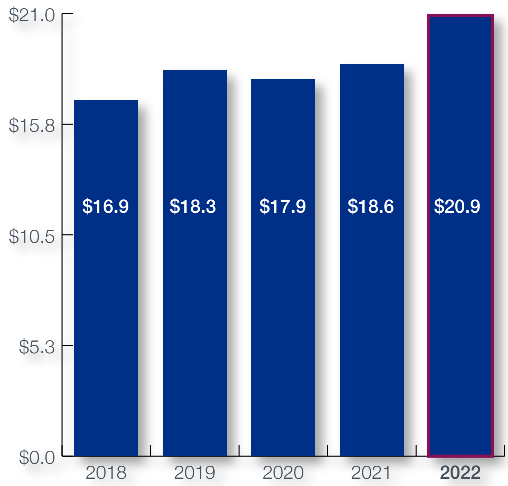
2022 WATER REVENUE



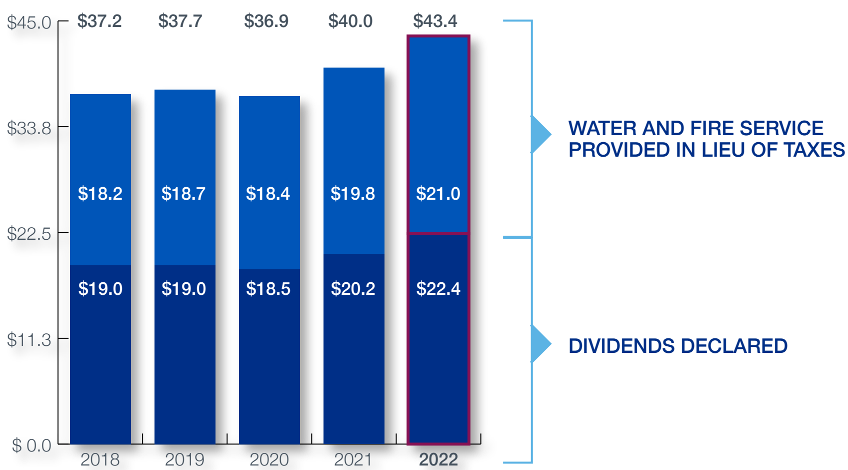
AVERAGE RESIDENTIAL MONTHLY WATER BILL
(based upon average usage of 4,000 gallons per month)



OTHER OPERATING REVENUE
(in millions)

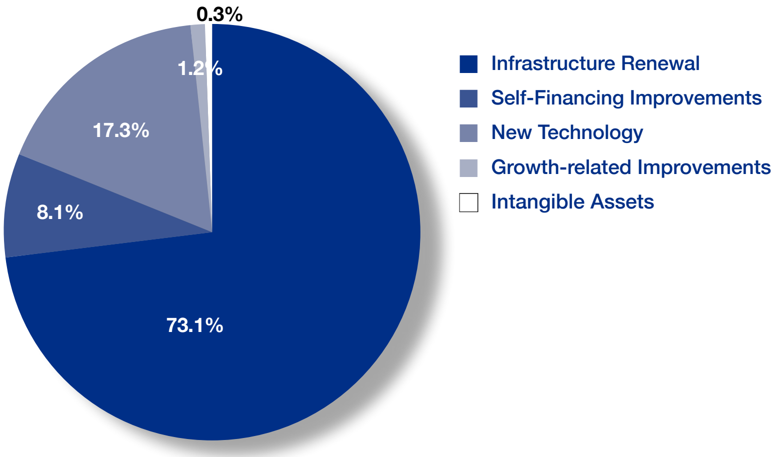


TOTAL CONTRIBUTIONS TO LOUISVILLE METRO
(in millions)

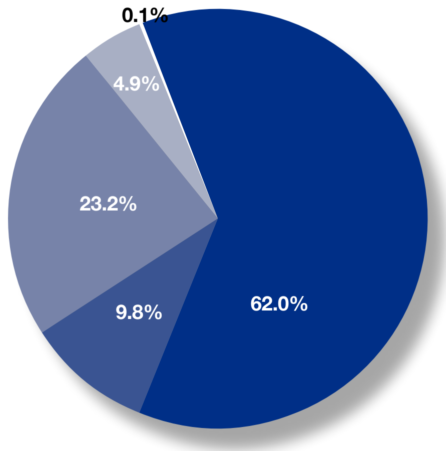


FINANCIAL PERFORMANCE - CAPITAL

2022 CAPITAL IMPROVEMENT PLAN

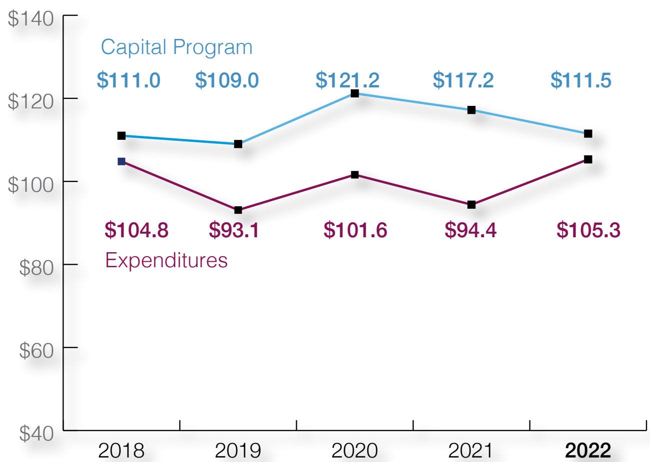


2023 CAPITAL IMPROVEMENT PLAN



TOTAL CAPITAL PROGRAM AND EXPENDITURES

(in millions)



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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on the financial statements of Louisville Water Company in our report dated June 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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 24-29 and 55-65 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 May 23, 2023 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
May 23, 2023

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, 2022 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 2022 Performance

Operating Revenue was up in 2022, with both water revenue and other operating revenue contributing to the growth. Commercial, industrial and irrigation customer classes all had higher water consumption, but this was offset by lower consumption in the residential and wholesale customer classes. As a result, overall water consumption was approximately the same as in 2021. This stable consumption along with a 2022 average rate increase of 3.5% resulted in growth in water revenue of $7.2 million or 3.7%. Alternative revenue streams have been another key strategy for Louisville Water. In 2022, Other Operating Revenue increased by $2.3 million or 12.4%. Operating Expense increased by $7.7 million or 4.9%, driven by increases in Operating and Maintenance Expense, Depreciation and Amortization and Water and Fire Service Provided in Lieu of Taxes partially offset by a decline in loss on sale of assets and pension/OPEB actuarial adjustment expense. As a result, Net Operating Revenue increased by $1.8 million for the year.

Net income before Distributions and Contributions totaled $52 million in 2022. The resulting dividend of $22.4 million, combined with free water and fire protection valued at $21 million, provided a total shareholder value of $43.4 million, an 8.7% increase from 2021. This improvement was a result of a higher dividend, along with an increase in Louisville Metro's water consumption.

Financial Highlights

- Total Net Position increased by $45.6 million, or 4.3% primarily due to funds generated from operations, net of dividend paid to the Company's shareholder.
- Operating Revenues increased by $9.5 million, or 4.4%, due to a water rate increase of 3.5% effective January 1, 2022 and higher revenue from non-water sources. Water sales in 2022 of 33.5 billion gallons were essentially flat to 2021 sales.
- Operating Expenses increased by $7.7 million, or 4.9%, primarily as a result of increases in Operating and Maintenance Expense of $8.2 million, Depreciation and Amortization Expense of $2.9 million and Water and Fire Service Provided in Lieu of Taxes of $1.2 million, partially offset by a decline in Pension/OPEB Actuarial Adjustment expense of $3.1 million and a decline in Loss from Sale and Salvage of Retired Assets of $1.5 million.

- Net Non-Operating Expense increased by $152 thousand, or 3.2%, due to higher interest costs and lower net grant revenue received during 2022, partially offset by increased earnings on funds invested.
- Net Income before Distributions and Contributions increased by $1.6 million, or 3.3%.
- Dividends Paid and Payable were up by $2.3 million, as the three-year average of adjusted net income utilized for the dividend calculation increased by $4.5 million.

Statement of Net Position

Total Net Position increased by $45.6 million, or 4.3%, in 2022 (see Figure 1). The largest portion of Net Position is Net Utility Plant, which increased by $49.7 million in 2022 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 increased by $22.1 million in 2022, primarily due to an increase in Restricted, Expendable Bond Accounts resulting from the issuance of the Series 2022 bonds. Non-current Assets climbed by $42.2 million as a result of the investment of $43 million of proceeds from the bond issuance in long-term treasury securities. Current Liabilities decreased by $2 million in 2022, while Long-term Liabilities grew by $75 million. The rise in Long-term Liabilities was due to an increase in Bonds Payable and related Unamortized Premium and Discount of $69.7 million and an increase in Net Pension/OPEB Liability of $5.5 million.

FIGURE 1

Condensed Statement of Net Position

	2022	2021	DIFFERENCE	PERCENT
Current Assets	$ 122,980,156	$ 100,838,969	$ 22,141,187	22.0%
Noncurrent Assets	90,017,403	47,809,801	42,207,602	88.3%
Deferred Outflows of Resources	16,340,761	20,944,857	(4,604,096)	(22.0%)
Net Utility Plant	1,402,884,869	1,353,184,721	49,700,148	3.7%
Total Assets and Deferred Outflows of Resources	1,632,223,189	1,522,778,348	109,444,841	7.2%
Current Liabilities	52,486,226	54,449,265	(1,963,039)	(3.6%)
Long-term Liabilities	470,495,082	395,603,389	74,891,693	18.9%
Deferred Inflows of Resources	14,317,460	23,428,917	(9,111,457)	(38.9%)
Total Liabilities and Deferred Inflows of Resources	537,298,768	473,481,571	63,817,197	13.5%
Total Net Position	$ 1,094,924,421	$ 1,049,296,777	$ 45,627,644	4.3%

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues grew by $9.5 million, or 4.4%, in 2022 (see Figure 2) due to increases in Water Revenue and Other Operating Revenue. The increase in Water Revenue is attributable to higher rates as total water consumption was flat to the prior year. The commercial, industrial and irrigation customer classes all had higher water consumption, but this was offset by lower consumption in the residential and wholesale customer classes. Other Operating Revenue increased by $2.3 million or 12.4% in 2022 primarily as a result of higher customer charges.

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 increased $7.7 million, or 4.9% in 2022 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 $8.2 million, with inflationary pressures driving higher than normal increases in almost every category. The most significant increases were in power and chemicals, systems support and maintenance, contractual services, bad debt and labor and labor-related costs. Depreciation and Amortization increased by $2.9 million due to additional investment in capital assets. Water and Fire Service Provided in Lieu of Taxes increased by $1.2 million as a result of higher water consumption by Louisville Metro and the 3.50% water rate increase implemented on January 1, 2022. These increases were partially offset by a drop in Loss from Sale and Salvage of Retired Assets of $1.5 million and a reduction in expense from GASB Pension and OPEB Actuarial Adjustments of $3.1 million.

Net Non-Operating Expense (non-operating expense less non-operating income) increased by $152 thousand or 3.2% in 2022, due to higher interest costs and lower net grant revenue received in 2022, offset by higher earnings on funds invested. Interest expense increased by $598 thousand due to the issuance of additional debt in 2022, offset by principal payments made on previously existing debt. Grant revenue fell by $1.9 million. In 2021, the Company was the subrecipient of $2.5 million 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. A total of $2.2 million of these funds were utilized by the Company to provide assistance to customers to pay water and wastewater charges in 2021 with the remainder of the funds utilized in 2022. A total of $1.4 million of the grant funds were utilized in 2021 and $194 thousand in 2022 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 $1.6 million, or 3.3%. 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 2022 increased by $2.3 million or 11.2%.

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 increased by $4.6 million or 40.5%, from the previous year.

FIGURE 2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022	2021	DIFFERENCE	PERCENT
Operating Revenue	$ 224,134,477	$ 214,600,033	$ 9,534,444	4.4%
Operating Expenses	167,200,133	159,456,016	7,744,117	4.9%
Net Operating Revenue	56,934,344	55,144,017	1,790,327	3.2%
Net Non-Operating Expense	4,946,797	4,794,519	152,278	3.2%
Net Income Before Distributions and Contributions	51,987,547	50,349,498	1,638,049	3.3%
Dividends	22,438,542	20,172,360	2,266,182	11.2%
Contributions in aid of Construction	16,078,639	11,443,459	4,635,180	40.5%
Change in Net Position	45,627,644	41,620,597	4,007,047	9.6%
Net Position, Beginning of Year	1,049,296,777	1,007,676,180	41,620,597	4.1%
Net Position, End of Year	$ 1,094,924,421	$ 1,049,296,777	$ 45,627,644	4.3%

Statement of Cash Flows

Cash at the end of 2022 was $28.3 million lower than at the end of 2021 (see Figure 3).

- Cash from Operating Activities was $105.8 million, increasing by $3.3 million as compared to the prior year. More cash was received from customers compared to 2021 as a result of higher Water Revenue and Other Operating Revenue. Cash paid to employees and to suppliers and others also increased in 2022.
- Cash used by Capital and Related Financing Activities was $23.4 million in 2022, down $85 million from 2021. This was a result of $89 million net cash received from the 2022 bond issuance, offset by a $5 million increase in cash expended on the acquisition and construction of utility plant.
- Cash used in Investing Activities was $90.4 million in 2022 as compared to cash provided of $45.6 million in 2021. Increased investment purchases of $109.3 million, reduced investment maturities of $5 million and a net change of $22.5 million in cash utilized to fund restricted reserves accounts for the difference.

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 $54.6 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

	2022	2021	DIFFERENCE	PERCENT
Cash Flows From				
Operating Activities	$ 105,845,046	$ 102,536,362	$ 3,308,684	3.2%
Non-Capital Financing Activities	(20,337,714)	(16,945,572)	(3,392,142)	(20.0%)
Capital and Related Financing Activities	(23,395,526)	(108,363,093)	84,967,567	78.4%
Investing Activities	(90,411,758)	45,569,888	(135,981,646)	(298.4%)
Net Change in Cash	(28,299,952)	22,797,585	(51,097,537)	(224.1%)
Cash, Beginning of Year	74,016,856	51,219,271	22,797,585	44.5%
Cash, End of Year	$ 45,716,904	$ 74,016,856	$ (28,299,952)	(38.2%)

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 2022 shows the Company plans to invest $598.9 million in improvements during 2023-2027.

The Company spent $85.3 million on its capital program in 2022, 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 2022, an increase of $49.7 million from the prior year. Infrastructure renewal projects account for 62% of the planned 2023 capital expenditures. In 2023, 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

	2022	2021	DIFFERENCE	PERCENT
Capital Assets	$ 1,984,223,494	$ 1,886,101,462	$ 98,122,032	5.2%
Less Accumulated Depreciation	(724,182,913)	(675,697,695)	(48,485,218)	(7.2%)
Capital Assets,Net	1,260,040,581	1,210,403,767	49,636,814	4.1%
Capital Assets not being Depreciated	142,844,288	142,780,954	63,334	0.0%
Utility Plant, Net	$ 1,402,884,869	$ 1,353,184,721	$ 49,700,148	3.7%

Debt Administration

As of December 31, 2022, the Company has principal outstanding of $95 million for the Series 2015 Bonds, $129.1 million for the Series 2019 Bonds, $125.2 million for the Series 2022 Bonds and $957 thousand for the KIA loan for a total of $350.2 million. In October 2022, the Company issued $125.2 million in tax-exempt bonds (Series 2022). As part of this transaction, the Company refunded $45 million of the remaining outstanding Series 2014A Bonds. The Series 2014A Bonds were fully redeemed on November 15, 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. The Series 2022 Bonds are not insured and are callable beginning in 2032. 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 August and September

2022, concurrent with the assignment of Aaa/AAA to its newly issued Series 2022 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 1.96 times in 2022, a decrease from the prior year. Please see Notes 7 and 8 for long-term debt detail.

FIGURE 5

Debt Service Coverage

	2022	2021	DIFFERENCE	PERCENT
Income Available for Debt Service	$ 58,700,004	$ 61,011,762	$ (2,311,758)	(3.8%)
Current Aggregate Net Debt Service	29,906,220	29,019,969	886,251	3.1%
Debt Service Coverage Times	1.96	2.10	(.14)	(6.7%)

Economic Factors and Next Year's Budgets and Rates

Management believes that the long-term nationwide trend of declining water consumption has stabilized to an extent but 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.

Management believes that the 2023 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 4.25% on January 1, 2023. Water rates for wholesale customers are recommended to increase on July 1, 2023. 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, 2022 and 2021.

FIGURE 6

Computation of Stockholder's Equity

	2022	2021	DIFFERENCE	PERCENT
Total Equity Capital - Beginning of Year	$ 682,508,980	$ 652,331,842	$ 30,177,138	4.6%
Plus: Income Before Distributions and Contributions	51,987,547	50,349,498	1,638,049	3.3%
Less: Dividends	22,438,542	20,172,360	2,266,182	11.2%
Total Equity Capital - End of Year	712,057,985	682,508,980	29,549,005	4.3%
Less: Cumulative Deposits to Infrastructure Replacement Reserve	54,928,244	54,428,244	500,000	0.9%
Stockholder's Equity Eligible for Return Computation	$ 657,129,741	$ 628,080,736	$ 29,049,005	4.6%

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 2022, Adjusted Net Income was $52 million. The return on equity earned by Louisville Water in 2022 was 7.84%.

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 T0 MEET NEAR-TERM OBLIGATIONS	2021	2022	2023 BUDGET	TARGET
Days of Funded Operations	Cash + Short-Term Liquid Inv.) / (O&M Expense / 365)	307	313	360	>250
CAPITALIZATION	**RELIANCE ON DEBT FINANCING FOR CAPITAL INVESTMENTS**	**2021**	**2022**	**2023 BUDGET**	**TARGET**
Debt to Net Utility Plant	Debt / Net Utility Plant	21.08%	24.96%	23.08%	<35%
Debt to Capitalization	Debt / (Debt + Net Position)	21.37%	24.23%	22.57%	<24%
COVERAGE	**CAPACITY TO MAKE DEBT SERVICE PAYMENTS**	**2021**	**2022**	**2023 BUDGET**	**TARGET**
Debt Service Coverage	Income Available for Debt Service / Debt Service	2.10	1.96	1.80	>2.0 Current Target
Section 603 Rate Covenant	Net Revenue / Max Agg. Debt Service	342%	361%	292%	>130%
Debt Service Safety Margin	(1 - O&M Expense + Debt Service) / (Operating Revenue + Non-Operating Revenue)	45.63%	44.18%	42.13%	>30%
PROFITABILITY	**PROFITABILITY OF THE COMPANY**	**2021**	**2022**	**2023 BUDGET**	**TARGET**
Return on Equity	(Net Income – Infrastructure Reserve Replacement ("IRR") + Bond Reserve Adjustment) / Stockholder Equity Eligible for Return	7.98%	7.84%	6.00%	>7.5%
Return on Net Utility Plant	Net Income / Net Utility Plant	3.72%	3.71%	2.88%	>3.5%
Net Profit Margin	Net Income / Operating Revenue	23.46%	23.19%	17.52%	>20%
DIVIDEND PAYOUT	**MEASUREMENT OF DISTRIBUTION OF PROFIT AS A DIVIDEND**	**2021**	**2022**	**2023 BUDGET**	
Dividend Payout	Dividends Declared / (Net Income - IRR)	40.26%	43.58%	55.76%	
Total Transfers	(Water in Lieu of Taxes + Dividends) / Operating Revenue	18.62%	19.39%	18.67%	

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.

December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Current Assets		
Cash	$ 45,716,904	$ 74,016,856
Short-term liquid investments	36,586,654	-
Cash and short-term liquid investments	82,303,558	74,016,856
Accounts receivable, net	10,830,865	13,599,059
Contracts receivable, current portion	569,471	566,927
Materials and supplies	7,521,214	5,696,622
Restricted, expendable bond accounts	17,827,335	2,616,262
Other current assets	3,886,523	4,343,243
Accrued interest receivable	41,190	-
Total Current Assets	122,980,156	100,838,969
Utility Plant, net of accumulated depreciation	1,402,884,869	1,353,184,721
Noncurrent Assets		
Investments	43,137,037	-
Restricted reserves	36,736,477	39,665,957
Non-utility property	2,320,421	2,400,572
Unamortized bond issuance costs	1,376,299	1,262,001
Contracts receivable	379,720	441,916
Preliminary engineering charges	1,053,402	575,748
Prepaid regulatory assets	5,014,047	3,463,607
Total Noncurrent Assets	90,017,403	47,809,801
Total Assets	1,615,882,428	1,501,833,491
Deferred Outflows of Resources		
Pension	7,268,184	7,592,635
OPEB	9,072,577	12,572,876
Net loss on refunding of debt	-	779,346
Total Deferred Outflows of Resources	16,340,761	20,944,857
Total Assets and Deferred Outflows of Resources	$ 1,632,223,189	$ 1,522,778,348

(continued)

December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	2022	2021
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 15,852,940	$ 18,195,125
Sewer collections (contra)	2,316,266	1,037,123
Customer deposits and advances	5,841,360	7,037,462
Tax collections payable	516,041	475,530
Accrued interest payable	1,795,697	1,345,658
Contracts payable, retainage percentage	3,307,053	2,835,167
Accrued payroll	448,118	377,812
Accrued vacation and sick leave	1,602,930	1,518,162
Insurance reserve	1,887,679	2,376,018
Bonds and notes payable, current portion	18,918,142	19,251,208
Total Current Liabilities	52,486,226	54,449,265
Long-Term Liabilities		
Customer advances for construction	7,032	301,143
Net pension liability	87,737,958	81,675,519
Net OPEB liability	23,948,469	24,518,858
Unamortized debt premium and discount	27,552,040	23,135,144
Bonds and notes payable, less current portion	331,249,583	265,972,725
Total Long-Term Liabilities	470,495,082	395,603,389
Total Liabilities	522,981,308	450,052,654
Deferred Inflows of Resources		
Pension	3,774,818	11,942,195
OPEB	9,944,107	11,486,722
Gain on refunding of debt	598,535	-
Total Deferred Inflows of Resources	14,317,460	23,428,917
Total Liabilities and Deferred Inflows of Resources	537,298,768	473,481,571
Net Position		
Net investment in capital assets	1,037,908,091	1,041,412,981
Unrestricted	17,402,664	(34,398,423)
Restricted, expendable – debt service	39,613,666	42,282,219
Total Net Position	1,094,924,421	1,049,296,777
Total Liabilities and Net Position	$ 1,632,223,189	$ 1,522,778,348

See accompanying Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
Revenues		
Operating revenues	$ 224,134,477	$ 214,600,033
Operating Expenses		
Operating and maintenance expenses	96,107,394	87,935,720
GASB 68 pension actuarial adjustment	(1,780,487)	1,913,742
GASB 75 OPEB actuarial adjustment	1,387,295	743,278
Depreciation and amortization	50,047,784	47,149,822
Water and fire service provided in lieu of taxes	21,016,197	19,793,519
Loss from sale and salvage of retired assets	421,950	1,919,935
Total Operating Expenses	167,200,133	159,456,016
Net Operating Revenue	56,934,344	55,144,017
Non-Operating Income (Expense)		
Interest income	1,634,625	497,837
Interest expense	(6,683,699)	(6,085,309)
Grant revenue	295,996	2,204,004
Grant expense	(193,719)	(1,411,051)
Net Non-Operating Expense	(4,946,797)	(4,794,519)
Net Income Before Distributions and Contributions	51,987,547	50,349,498
Distributions and Contributions		
Dividends	(22,438,542)	(20,172,360)
Contributions in aid of construction	16,078,639	11,443,459
Total Distributions and Contributions, Net	(6,359,903)	(8,728,901)
Change in Net Position	45,627,644	41,620,597
Net Position, Beginning of Year	1,049,296,777	1,007,676,180
Net Position, End of Year	$ 1,094,924,421	$ 1,049,296,777

See accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS

Year ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	$ 205,969,515	$ 194,312,849
Cash paid to suppliers and others	(67,470,527)	(59,836,281)
Cash paid to employees for services or benefits	(32,653,942)	(31,940,206)
Net Cash Provided by Operating Activities	105,845,046	102,536,362
Cash Flows from Non-capital Financing Activities		
Dividends paid to stockholder	(20,337,714)	(16,945,572)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of utility plant	(82,986,663)	(77,958,661)
Acquisition of non-utility property	(2,301,036)	(2,218,826)
Proceeds from 2022 series bonds	88,960,040	-
Metro COVID grant funds	102,277	792,953
Contributions in aid of construction	201,595	288,396
Customer advances for construction	(294,111)	(206)
Preliminary engineering charges	(477,654)	(129,929)
Principal paid	(15,321,208)	(17,529,313)
Interest paid	(11,278,766)	(11,607,507)
Net Cash Used in Capital and Related		
Financing Activities	(23,395,526)	(108,363,093)
Cash Flows from Investing Activities		
Investment - purchases	(109,321,268)	-
Investment – maturities	29,520,000	34,563,000
Restricted cash reserves	2,929,480	9,716,292
Restricted, expendable bond accounts	(15,211,073)	518,035
Interest received	1,671,103	772,561
Net Cash Provided by (Used in) Investing Activities	(90,411,758)	45,569,888
Net Change in Cash	(28,299,952)	22,797,585
Cash, Beginning of Year	74,016,856	51,219,271
Cash, End of Year	$ 45,716,904	$ 74,016,856

(continued)

Year ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
Reconciliation of Net Operating Revenue to Net Cash Provided by Operating Activities		
Net operating revenue	$ 56,934,344	$ 55,144,017
Adjustments to reconcile net operating revenue		
to cash provided by operating activities		
Depreciation	49,705,378	47,097,873
Amortization	2,428,970	2,160,303
Loss from sale and salvage of retired assets	421,950	1,919,935
Changes in current assets and liabilities		
Accounts receivable	2,768,194	(1,036,279)
Materials and supplies	(1,824,592)	(187,948)
Other current assets	(1,644,108)	(3,097,707)
Accounts payable	(2,342,185)	(2,831,876)
Accounts payable, sewer collections	1,279,143	(457,912)
Customer deposits	(1,196,102)	1,000,526
Tax collections payable	40,511	33,053
Accrued vacation and sick leave	84,768	49,517
Accrued payroll	70,306	68,995
Net pension liability	6,062,439	(13,978,856)
Net OPEB liability	(570,389)	(5,587,812)
Deferred outflows of resources – pension	324,451	4,445,045
Deferred outflows of resources – OPEB	3,500,299	326,299
Deferred inflows of resources – pension	(8,167,377)	11,447,553
Deferred inflows of resources – OPEB	(1,542,615)	6,004,791
Insurance reserve	(488,339)	16,845
Net Cash Provided by Operating Activities	$ 105,845,046	$ 102,536,362
Supplemental Information		
Non-cash capital and related financing activities		
Accrued utility plant acquisitions	$ 7,112,337	$ 8,483,020
Contributions in aid of construction	$ 16,408,582	$ 11,772,420
Refunding portion of new bonds	$ 44,895,000	$ -

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 162-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 $21 million were provided to Louisville Metro in lieu of taxes during the year ended December 31, 2022. The Company remitted $18,485,035 in dividends to Louisville Metro during Louisville Metro's fiscal year ended June 30, 2022.

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, 2021, 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 non-cash transactions during the year that were excluded from the Statement of Cash Flows consisted of accrued utility plant acquisitions of $7,112,337, contributions in aid of construction of $16,408,582 and $44,895,000 of debt related to the Series 2014A bond refunding.

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

- 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. Adoption of this standard had no material impact on the Company's financial position or results of operations.
- 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. Adoption of this standard had no impact on the Company's financial position or results of operations.
- 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). 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. 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 Statements No. 99, "Omnibus 2022". The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62". The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 101, "Compensated Absences". The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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. 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 $8,714,154 was incurred during the year, of which $2,030,455 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 $49,753,162 for 2022 of which $2,086,564 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 $2,381,187 for 2022.

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 $10,306,132. The carrying value, stated net of depreciation, was $5,014,047 as of December 31, 2022.

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, 2022 were $3,201,379.

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 $2,639,981 at December 31, 2022. 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 $1,602,930 as of December 31, 2022.

Customer Advances for Construction: The customer advances for construction accounts reflect the anticipated long-term liability for refunding construction costs in accordance with prior service rules. The liability is 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, 2022 were $7,032.

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. Gains or loss on refunding, which is the difference between the reacquisition price and the net carrying amount of the old debt, is deferred inflow or 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 2022 was $21,016,197.

Union Employees: The Company has employees who are covered by a collective bargaining agreement. At December 31, 2022, approximately 36% of the Company's full-time employees were covered by the collective bargaining agreement. This 7-year agreement expired on March 1, 2023. The Company entered into a new 5-year agreement which expires on February 29, 2028.

NOTE 2 – *ACCOUNTS RECEIVABLE*

Accounts receivable, net, as of December 31, 2022 includes:

Water	$ 10,756,202
Other	1,207,738
	11,963,940
Allowance for doubtful accounts	(1,133,075)
	$ 10,830,865

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 2015, 2019 and 2022 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 2015, 2019 and 2022 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 $500,000 for 2022. 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 2022.

The Company has Bond and Capital-related accounts within cash and investments as of December 31, 2022 as follows:

Restricted, Expendable Bond Accounts:	
Bond Service Accounts:	
Series 2014A	$ 13,274
Series 2015	788,103
Series 2019	1,294,881
Series 2022	780,930
Total restricted, expendable bond service accounts	$ 2,877,188
Bond Construction and Acquisition Fund	$ 14,950,147
Total Restricted, Expendable Bond Accounts	$ 17,827,335
Restricted Reserves – Noncurrent Assets:	
Bond Related Reserves:	
Bond reserve account	$ 17,456,976
Capital Related Reserves:	
Depreciation Fund	2,392,611
Infrastructure Replacement Reserve Fund	16,886,890
Total capital related reserves	$ 19,279,501
Total Restricted Reserves – Noncurrent Assets	$ 36,736,477
Total	$ 54,563,812

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, 2022 in addition to the reserve funds and the bond service account balances with trustees, as reflected in Note 3, the Company had $43,430,681 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, 2022 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	$ 35,284,311	0.10	Aaa
Total bond reserve and bond service	35,284,311		
Cash in bank – capital related reserves	19,279,501		
Total restricted reserves and restricted, expendable bond accounts	54,563,812		
Short-term liquid investments:			
U.S. Treasury securities	37,811,000	0.76	N/A
Unamortized discount	(1,224,346)		
Total short-term liquid investments	36,586,654		
Investments (long-term):			
U.S. Treasury securities	45,887,000	1.55	N/A
Unamortized discount	(2,749,963)		
Total investments (long-term)	43,137,037		
Cash:			
Cash in bank	43,515,529		
Petty cash	4,296		
Checks outstanding and deposits in transit	2,197,079		
Cash and temporary investments	45,716,904		
Total cash and investments	$ 180,004,407		

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, 2022 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	$ 35,284,311	$ -	$ -	$ 35,284,311
U.S. Treasury Securities	43,137,037	-	-	43,137,037
Total	$ 78,421,348	$ -	$ -	$ 78,421,348

At December 31, 2022, a portion of U.S. Treasury securities had maturities at the time of purchase of less than twelve months. These securities are recorded at amortized cost of $36,586,654.

NOTE 6 – *UTILITY PLANT, NET*

The following is a schedule of utility plant for the year ended December 31, 2022:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
Capital assets, depreciable				
Buildings	$ 230,227,210	$ 27,441,731	$ (253,473)	$ 257,415,468
Machinery and equipment	141,872,577	4,652,309	(494,518)	146,030,368
Infrastructure	1,514,001,675	70,310,025	(3,534,042)	1,580,777,658
Total	1,886,101,462	102,404,065	(4,282,033)	1,984,223,494
Less accumulated depreciation for				
Buildings	(96,268,116)	(7,891,957)	224,953	(103,935,120)
Machinery and equipment	(77,154,077)	(11,706,280)	494,518	(88,365,839)
Infrastructure	(502,275,502)	(32,328,105)	2,721,653	(531,881,954)
Total	(675,697,695)	(51,926,342)	3,441,124	(724,182,913)
Capital assets, net	1,210,403,767	50,477,723	(840,909)	1,260,040,581
Capital assets not being depreciated				
Land	18,151,303	275,458	(428,277)	17,998,484
Construction in progress	124,629,651	120,846,179	(120,630,026)	124,845,804
Total	142,780,954	121,121,637	(121,058,303)	142,844,288
Utility plant, net	$ 1,353,184,721	$ 171,599,360	$ (121,899,212)	$ 1,402,884,869

NOTE 7 – *LONG-TERM LIABILITIES*

Long-term liabilities at December 31, 2022, are summarized as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	CURRENT PORTION	NONCURRENT PORTION
Bonds payable	$ 284,170,000	$ 125,160,000	$ (60,120,000)	$ 349,210,000	$ 18,820,000	$ 330,390,000
KIA note payable	1,053,933	-	(96,208)	957,725	98,142	859,583
Unamortized debt premiums and discounts	23,135,144	9,157,139	(4,740,243)	27,552,040	-	27,552,040
Customer advances for construction	301,143	-	(294,111)	7,032	-	7,032
Net pension liability	81,675,519	6,062,439	-	87,737,958	-	87,737,958
Net OPEB liability	24,518,858	-	(570,389)	23,948,469	-	23,948,469
Total long-term liabilities	$ 414,854,597	$ 140,379,578	$ (65,820,951)	$ 489,413,224	$ 18,918,142	$ 470,495,082

NOTE 8 – *BONDS AND NOTES PAYABLE*

Bonds and notes payable (without bond premium or discounts) consisted of the following at December 31, 2022:

Bonds payable (publicly traded)	
Water System Revenue Bonds, 2015 tax exempt, fixed interest rates ranging from 2.0% to 5.0% with maturities from 2016 through 2035	$ 94,980,000
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	129,070,000
Water System Revenue Bonds, 2022 tax exempt, fixed interest rates ranging from 3.875% to 5.0% with maturities from 2023 through 2042	125,160,000
Total bonds payable (publicly traded)	349,210,000
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 $93,548	957,725
Total bonds and notes payable	350,167,725
Less current portion	18,918,142
Bonds and notes payable, less current portion	$ 331,249,583

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, 2022, are as follows:

	PRINCIPAL	INTEREST	TOTAL
Year ended December 31			
2023	$ 18,918,142	$ 14,371,485	$ 33,289,627
2024	21,875,114	13,428,513	35,303,627
2025	22,057,127	12,337,750	34,394,877
2026	22,194,180	11,302,248	33,496,428
2027-2031	108,543,162	42,017,935	150,561,097
2032-2036	92,400,000	20,849,722	113,249,722
2037-2041	57,545,000	6,694,100	64,239,100
2042	6,635,000	281,988	6,916,988
	$ 350,167,725	$ 121,283,741	$ 471,451,466

The Company issued $125,160,000 in tax-exempt bonds on October 6, 2022. The Series 2022 Bonds were issued for these purposes: (i) financing the cost of capital expenditures, (ii) partially funding the Reserve Account of the Bond Fund up to the Bond Reserve Requirement, (iii) paying a portion of the costs of issuance of the Series 2022 Bonds and other related costs and (iv) currently refunding the company Series 2014A Bonds. The Company refunded $44,895,000 of the remaining outstanding Series 2014A Bonds and they were fully redeemed on November 15, 2022.The refunding resulted in a cash flow savings of $855,786 and an estimated net present value savings of $715,853.

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 2022 dividend computed under this provision was $22,438,542, resulting in an underpayment of $3,445,830 which will be added to the 2023 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 $20,500, 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 $93,346 for the year ended December 31, 2022.

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 $20,500, 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, 2022, participating employers contributed 26.95% (22.78% allocated to pension and 4.17% allocated to OPEB) as set by KRS, respectively, of each Non-hazardous 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, 2022. Total contributions for the year were $7,760,752 for pension and $1,420,647 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, 2021. An expected TPL was determined at June 30, 2022 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
Equity:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91%)
Inflation Protected:		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
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 pension liability - Non-hazardous	$109,661,563	$87,737,958	$69,605,321

Employer's Portion of the Collective Net Pension Liability: The Company's proportionate share of the NPL, as indicated in the prior table, is $87,737,952 or approximately 1.21%. 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 1.28%.

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, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022 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 $6,091,480 related to the CERS for the year ending June 30, 2022.

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	$ 93,803	$ 781,344
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	917,935	2,993,474
Differences between expected and actual investment earnings on plan investments	2,249,283	-
	3,261,021	3,774,818
Contributions subsequent to the measurement date	4,007,163	-
Total	$ 7,268,184	$ 3,774,818

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $4,007,163 will be recognized as a reduction of NPL in the year ending December 31, 2023. 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:	
2023	$ (913,004)
2024	(1,355,936)
2025	(737,300)
2026	2,492,443
	$ (513,797)

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, 2021. An expected total OPEB liability was determined at June 30, 2022 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 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 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 5.70%, which decreased from the prior year rate of 5.20%.

(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 for each future year calculated in accordance with the current funding policy.

(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 3.69% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2022. 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
Equity:		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income:		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91%)
Inflation Protected:		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
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 5.70%, 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 (4.70%) or 1-percentage-point higher (6.70%) than the current rate for non-hazardous:

	1% DECREASE (4.70%)	CURRENT DISCOUNT RATE (5.70%)	1% INCREASE (6.70%
Net OPEB liability	$ 32,015,284	$23,948,469	$17,279,901

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	$ 17,805,155	$23,948,469	$31,325,431

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 $23,948,469, or approximately 1.21%. The net OPEB liability was distributed based on 2022 actual employer contributions to the plan. The Company's previous year's proportionate share of the net OPEB liability was approximately 1.28%.

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, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, 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 increased from 5.20% to 5.70%.

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 $3,412,336 related to the CERS for the year ending June 30, 2022.

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	$ 2,410,613	$ 5,491,940
Change of assumptions	3,787,618	3,120,975
Changes in proportion and differences between employer contributions and proportionate shares of contributions	394,142	1,331,192
Differences between expected and actual investment earnings on plan investments	972,008	-
	7,564,381	9,944,107
Contributions subsequent to the measurement date	1,508,196	-
Total	$ 9,072,577	$ 9,944,107

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $1,508,195, which includes the implicit subsidy reported of $774,663, 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:	
2023	$ (264,192)
2024	(359,088)
2025	(1,628,177)
2026	(128,269)
	$ (2,379,726)

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:

	2022	2021
Liability – Beginning of Year	$ 2,376,018	$ 2,359,173
Accruals for current year claims and changes in estimate	256,207	751,549
Claims paid	(744,546)	(734,704)
Liability – End of Year	$ 1,887,679	$ 2,376,018

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 $65.1 million at December 31, 2022.

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

December 31, 2022

	2022	2021	2020
Company's proportion of the net pension liability	1.21%	1.28%	1.25%
Company's proportionate share of the net pension liability	$ 87,737,958	$ 81,675,519	$ 95,654,375
Company's covered payroll	$ 32,935,091	$ 32,541,243	$ 31,946,178
Company's proportionate share of the net pension liability as a percentage of its covered payroll	266.40%	250.99%	299.42%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%

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.

(continued)

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

December 31, 2022

	2019	2018	2017
Company's proportion of the net pension liability	1.26%	1.27%	1.24%
Company's proportionate share of the net pension liability	$ 88,788,390	$ 77,085,962	$ 72,516,743
Company's covered payroll	$ 31,845,498	$ 31,370,897	$ 29,830,808
Company's proportionate share of the net pension liability as a percentage of its covered payroll	278.81%	245.72%	243.09%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%

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.

(continued)

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

December 31, 2022

	2016	2015	2014
Company's proportion of the net pension liability	1.19%	1.28%	1.25%
Company's proportionate share of the net pension liability	$ 58,797,619	$ 55,122,691	$ 40,419,796
Company's covered payroll	$ 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	206.35%	184.29%	138.77%
Plan fiduciary net position as a percentage of the total pension liability	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, 2022

	2022	2021	2020
Company's proportion of the net OPEB liability	1.21%	1.28%	1.25%
Company's proportionate share of the net OPEB liability	$ 23,948,469	$ 24,518,858	$ 30,106,670
Company's covered payroll	$ 32,935,091	$ 32,541,243	$ 31,946,178
Company's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.71%	75.35%	94.24%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%

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.

(continued)

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

December 31, 2022

	2019	2018
Company's proportion of the net OPEB liability	1.26%	1.27%
Company's proportionate share of the net OPEB liability	$ 21,229,097	$ 22,471,844
Company's covered payroll	$ 31,845,498	$ 31,370,897
Company's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.66%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	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 Com20pany 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, 2022

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 7,760,752	$ 7,059,687	$ 6,481,652	$ 5,651,953	$ 4,994,870
Contributions in relation to the statutorily required contribution	(7,760,752)	(7,059,687)	(6,481,652)	(5,651,953)	(4,994,870)
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%
Company's covered payroll	$ 33,053,390	$ 33,449,857	$ 32,757,355	$ 32,166,042	$ 31,805,010
Contributions as a percentage of its covered payroll	23.48%	21.11%	19.79%	17.57%	15.70%

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.

(continued)

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

December 31, 2022

	2017	2016	2015	2014
Statutorily required contribution	$ 4,402,741	$ 3,848,753	$ 3,680,646	$ 3,907,026
Contributions in relation to the statutorily required contribution	(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%
Company's covered payroll	$ 30,405,336	$ 29,125,528	$ 29,787,416	$ 9,411,439
Contributions as a percentage of its covered payroll	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, 2022

Changes in Assumptions and Benefit Terms:

2022: There were no changes in assumptions and benefit terms since the prior measurement date.

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 (set back 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, 2022

	2022	2021	2020
Statutorily required contribution	$ 1,420,647	$ 1,741,146	$ 1,598,584
Contributions in relation to the statutorily required contribution	(1,420,647)	(1,741,146)	(1,598,584)
Annual contribution deficiency (excess)	$ -	$ -	$ -
Company's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%
Company's covered payroll	$ 33,053,390	$ 33,449,857	$ 32,757,355
Contributions as a percentage of its covered payroll	4.30%	5.21%	4.88%

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.

(continued)

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

December 31, 2022

	2019	2018
Statutorily required contribution	$ 1,832,878	$ 1,621,263
Contributions in relation to the statutorily required contribution	(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%
Company's covered payroll	$ 32,166,042	$ 31,805,010
Contributions as a percentage of its covered payroll	5.70%	5.10%

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 OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

December 31, 2022

Changes in Assumptions and Benefit Terms:

2022: 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 increased from 5.20% to 5.70%.

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 healthcare 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 healthcare 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, 2022

	YIELD	MATURITY	COST
Bond Reserve and Service Accounts			
Treasury Obligation Fund (FOCXX)	3.890%	01/31/23	$ 35,284,311
Short-term Liquid Investments			
US Treasury Note	4.225%	03/15/23	$ 2,913,824
US Treasury Note	4.656%	06/15/23	2,904,568
US Treasury Note	4.497%	09/15/23	14,495,028
US Treasury Note	4.540%	12/15/23	16,273,234
			$ 36,586,654
Investments			
US Treasury Note	4.561%	03/15/24	$ 4,704,652
US Treasury Note	4.434%	06/15/24	17,769,850
US Treasury Note	4.282%	09/15/24	20,562,535
			$ 43,137,037

SUMMARIZED SCHEDULE OF BOND ISSUES

December 31, 2022

2022 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, 2022
Seventh supplemental resolution date	August 16, 2022
Original amount	$125,160,000
Interest rate	3.875% 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, 2032

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

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

	2022 BONDS		
YEAR ENDING DECEMBER 31	PRINCIPAL INSTALLMENTS	INTEREST	AGGREGATE BOND SERVICE
2023	$ 3,485,000	$ 5,886,100	$ 9,371,100
2024	6,545,000	5,711,850	12,256,850
2025	6,850,000	5,384,600	12,234,600
2026	7,170,000	5,042,100	12,212,100
2027	7,510,000	4,683,600	12,193,600
2028	7,860,000	4,308,100	12,168,100
2029	8,240,000	3,915,100	12,155,100
2030	8,630,000	3,503,100	12,133,100
2031	9,050,000	3,071,600	12,121,600
2032	4,300,000	2,619,100	6,919,100
2033	4,515,000	2,404,100	6,919,100
2034	4,740,000	2,178,350	6,918,350
2035	4,980,000	1,941,350	6,921,350
2036	5,225,000	1,692,350	6,917,350
2037	5,430,000	1,489,881	6,919,881
2038	5,645,000	1,272,681	6,917,681
2039	5,870,000	1,046,881	6,916,881
2040	6,115,000	804,744	6,919,744
2041	6,365,000	552,500	6,917,500
2042	6,635,000	281,988	6,916,988
	$ 125,160,000	$ 57,790,075	$ 182,950,075

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

YEAR ENDING DECEMBER 31	2019 BONDS PRINCIPAL INSTALLMENTS	2019 BONDS INTEREST	AGGREGATE BOND SERVICE
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
	$ 129,070,000	$ 41,281,563	$ 170,351,563

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

YEAR ENDING DECEMBER 31	2015 BONDS PRINCIPAL INSTALLMENTS	2015 BONDS INTEREST	AGGREGATE BOND SERVICE
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
	$ 94,980,000	$ 22,118,555	$ 117,098,555

YEAR ENDING DECEMBER 31	KIA NOTE PRINCIPAL INSTALLMENTS	KIA NOTE INTEREST	AGGREGATE NOTE SERVICE
2023	$ 98,142	$1 8,666	$ 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
	$ 957,725	$ 93,548	$ 1,051,273

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Year ended December 31, 2022

Operating and maintenance expenses for year ended December 31, 2022	
Pumping	$ 9,367,573
Water Treatment	12,080,474
Transmission and distribution	17,539,702
Customer accounts expenses	10,523,459
Administrative and general expenses	42,900,976
Operating expenses over (under) applied	3,695,211
Total operating and maintenance expenses	$ 96,107,395

CORPORATE INFORMATION

BOARD OF WATER WORKS

As of December 31, 2022

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. SUNDEEP DRONAWAT
Chair, Chief Executive Officer, Fetal Life Inc., President, Samiteon LLC

PAUL ESSELMAN
Vice Chair, Chief Financial Officer, Mint Julep Experiences

GREG DEARING
President, Louisville Federation of Retired Firefighters

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

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

WILLIAM E. SUMMERS IV
Former Louisville Metro Deputy Mayor

EXECUTIVE LEADERSHIP TEAM

As of December 31, 2022

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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Louisville Water