LOUISVILLE WATER ANNUAL REPORT 2023

HIGH-QUALITY CONNECTIONS

QUALITY WATER. QUALITY OF LIFE.

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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 163-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

129	Million gallons per day; average daily delivery of Louisville Pure Tap®
0	Water quality violations (17 consecutive years)
4,297	Miles of water main in the system
15	Miles of new water main installed
542	Main breaks
25,079	Fire hydrants
56,898	Valves
34.2	Billion gallons sold
$217	Million in water sales
$26.88	Average residential bill for 4,000 gallons
$300,000	Louisville Water Foundation donated to Drops of Kindness℠ for customer assistance.
414,243	People reached through education & outreach
98	Schools visited for education programs
91%	Percentage of customers who say they trust Louisville Water to provide high-quality and reliable drinking water.

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

PRESIDENT'S MESSAGE

Spencer Bruce,
President & CEO

Louisville Water Company's 2023 Annual Report reveals a year full of outstanding achievements. We navigated through a lofty list of goals to finish the year with a stellar financial performance and a record investment in our infrastructure. In fact, water sales were at their highest level since 2015. We successfully negotiated a five-year contract between the Company and Local 1683, and we marked one of our safest years on record.

All the while, we maintained our long history of exceptional water quality. I'm proud to say this community enjoys some of the highest quality drinking water in the United States. The American Water Works Association recognized Louisville Water with the Partnership for Safe Water's 10-Year Directors Award for consistently delivering high-quality drinking water and a commitment to optimization of the water treatment process, a distinction only a handful of utilities have accomplished. At Louisville Water, we know our customers rely on us to provide outstanding quality and service. An independent survey found 90% of customers consider Louisville Pure Tap® safe. That's a point of pride.

Louisville Water is an anchor in the region. You must have quality water for a quality of life. It's critical to invest in our infrastructure to continue providing a resource that's fundamental in public health and economic growth. Our engineering and finance departments charted a five-year plan, which included projects to support growth in the Interstate 65 corridor in addition to updating our own treatment plants, facilities, and a vast system of water mains.

We typically allot more than half of our capital budget to infrastructure investments. This was slightly higher in 2023 with 67% of the capital budget ($117.1 million) dedicated to infrastructure-based projects. Another milestone accomplishment—Louisville Water has received commitments for approximately $30 million in federal grant funding to support infrastructure improvements.

More than 440 people work at Louisville Water and over a third of our employees are members of Local 1683. A five-year contract approved in March 2023 between Louisville Water and Local 1683 ensured we were competitive in compensation allowing us to continue to attract great talent and it prepared us for the future with the significant technological changes we are implementing. Our union employees perform some of our most critical and dangerous work and the team that negotiated this contract did so with the employees as their focus. As we embark on 2024, it's critical that we continue to focus on our employees, as they are our most important asset. We strive to be an organization where people feel a sense of belonging and are proud of the work they do for the community. Our employees are paramount, and we must provide competitive benefits, competitive compensation, and an environment where everyone can succeed.

It seems every year, we set the bar a little higher. We are constantly improving and innovating with the same steadfast commitment to delivering high-quality water and service. I am proud to highlight our achievements.

Sincerely,

Spencer W. Bruce, PE
President & CEO

Exceeding Expectations

Public health is at the core of Louisville Water's mission. We are committed to delivering a reliable high-quality supply of drinking water to nearly one million people in Louisville Metro and surrounding counties.

In 2023, the community enjoyed outstanding water quality as we achieved all treatment and distribution system goals. These goals included maintaining fewer than 70 customer complaints related to water quality for the third consecutive year. That number is an amazing statistic considering nearly one million people use our water daily. Independent research confirms this trust with 90% of customers surveyed saying they believe their drinking water is safe. This superior performance is reflective of our compliance history. For the 17th year in a row, Louisville Water did not have any water quality violations.

Scientist Casey LaFollette collected a sample at the Crescent Hill Water Quality Lab.

Crescent Hill Water Treatment Plant and B.E. Payne Water Treatment Plant continued to be two of the top 19 treatment plants in the country for water quality that surpasses regulatory standards. Both plants maintained their Phase IV Excellence Award status from the Partnership for Safe Water, making Louisville Water one of three water utilities in the U.S. to receive both the highest treatment and distribution designations. Louisville Water was recognized at the American Water Works Association's national conference in 2023 with the 10-year Longevity Award for maintaining Directors Award status for outstanding water quality in the distribution system.

We take pride in being considered an industry model, and we are dedicated to meeting and exceeding our own high standards. Our customers can trust the quality of Louisville Pure Tap®.

Leading the Way to Meet Lead & Copper Rule

Louisville Water is prepared to meet new EPA proposed regulations that aim to minimize the risk for lead to get into drinking water. More than 30 employees are part of an internal team working on our response to the EPA's Lead & Copper Rule Revisions that have a fall 2024 deadline. EPA has also proposed additional improvements to its revisions.

90% of customers think their drinking water is safe.

89% of customers are satisfied with the taste, appearance, and smell of their drinking water.

87% of customers say Louisville's drinking water tastes better than other cities.

March 2023 survey with ~720 customers

Louisville's drinking water does not contain lead when it leaves our two treatment plants. The risk for lead getting into the water is from pipes (called service lines) buried in the ground and household plumbing (including faucets and fixtures).

The EPA revisions include publishing an inventory of all lead service lines regardless of whether the utility or the customer owns the line. Louisville Water has finished replacing the known utility-owned lead service lines (more than 74,000 lines) we installed several decades ago. Because many lead lines were installed before modern-day record keeping, we occasionally find more and when that happens, we immediately replace them.

A significant part of our team's inventory work is inspecting customer-owned service lines. In 2023, we successfully replaced 323 lead and galvanized steel private service lines, covering 100% of the costs for customers. Through engineering projects, we replaced another 121 lead service lines (a mix of customer and newly found utility-owned lines).

By the end of 2023, the internal team had achieved its goal of developing new field procedures and customer outreach materials, documenting three attempts to contact customers with a private lead service line to offer free replacement, and preparing the initial service line inventory for the Kentucky Division of Water to pre-review.

Protecting our Reputation and Trust

Louisville Water prioritizes two-way communication about water quality. We believe it's important to be responsive, accurate, and transparent. Doing so establishes and reinforces the community's trust in our work.

In February 2023, a train derailment hundreds of miles away in East Palestine, Ohio threatened to damage that trust. While the incident was not a direct threat to Louisville's drinking

Following a chemical spill in Ohio, the Water Quality team performed its own independent testing to ensure high-quality drinking water.

water supply, social media fears quickly spread. From February 13-27, Louisville Water's Communications and Water Quality teams delivered updated information daily to employees and the community. Our scientists performed their own independent testing in addition to coordinating with ORSANCO (Ohio River Valley Water Sanitation Commission) for daily reports upriver from Louisville Water's intakes. To address misinformation on social media, important stakeholders including Louisville's mayor, the health department, and environmental reporters added their endorsement of our work to protect water quality.

Following the incident, we used a local independent agency to survey customers and evaluate our communications. Many customers cited they either heard about the Water Quality team's regular testing and test results and/or saw communications on Louisville Water's efforts to safeguard the water quality. The percentage of customers saying they believe the water supply is safe increased by 3% to 90%.

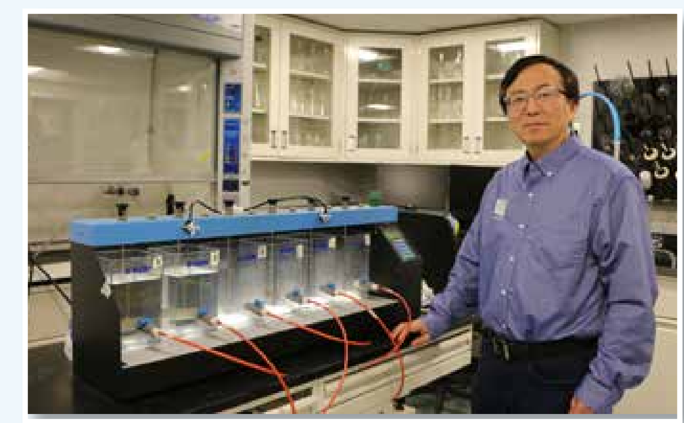
Maintaining Quality from Treatment to the Tap

B.E. Payne Water Treatment Plant is one of the top 19 treatment plants in the country.

Louisville Water invested in new plant infrastructure to enhance our water treatment process and further improve drinking water quality. The new process adds minimal levels of chlorine dioxide to the water at the B.E. Payne Water Treatment Plant. Chlorine dioxide is a form of chlorine used in the disinfection process. It also helps maintain the water quality as it travels through water mains in the distribution system. The preliminary results showed that this modification greatly improved water quality goals while reducing costs associated with managing distribution water quality. Louisville Water uses chlorine as the primary disinfectant and chloramine as a secondary disinfectant.

Global Research Project Published

A research project performed primarily in a Louisville Water lab garnered national attention. Dr. Eric Zhu and his team completed research on reducing risks in chloraminated water systems, which serve nearly half of the U.S. population, including Louisville. This project helps understand the risks and benefits of different treatment techniques for nitrification control.



Dr. Eric Zhu helped lead a research project published by the Water Research Foundation.

Dr. Zhu led the study with Dr. Rengao Song, Louisville Water's former Director of Water Quality, who is now an advisor to our company. The pair launched their research in 2019, collaborating with scientists around the world, and performed most of the work at the Crescent Hill laboratory. The Water Research Foundation, which partially funded the study, published the project's results in July 2023.

Louisville Water is known for its history of contributions to water research and innovation. As you may know, Louisville Water was home to landmark research in 1896 involving filtration that became the foundation for modern-day water treatment. We still embrace that role to remain at the forefront of innovative treatment approaches to optimize water quality.

The integrity of our infrastructure ensures reliable service to nearly one million people. Each year, Louisville Water dedicates roughly half its capital budget to infrastructure. In 2023, a focused effort resulted in the execution of 95% of the budgeted Capital Improvement Plan, equaling a total spend of $111.5 million. More than two-thirds of the plan was allocated for infrastructure investment and growth-related improvements, a near-record amount of annual investment. Over the past five years, we have continued to improve our execution rate thanks to strong coordination between departments and the performance of our project managers.

Maintaining Water Mains

In the fall of 2023, a robotic device called PipeDiver Ultra® navigated through three and a half miles of a large water main in southern Jefferson County. This inspection is a good example of Louisville Water's ongoing efforts to proactively examine the conditions of the underground infrastructure without disrupting water service. Since Louisville Water started using robotic technology to inspect large pipes, the devices have inspected more than 110 miles of water mains and crews have repaired approximately 250 sections of pipe.

The robotic PipeDiver Ultra® inspected mains without disrupting water service.

Overall, Louisville Water spent about $40 million to inspect, replace, and repair water mains in 2023. The Main Replacement and Rehabilitation Program (MRRP) is a proactive and formula driven maintenance effort to minimize disruptions from unplanned repairs. In 2023, we replaced or repaired 11 miles of water main. Louisville Water's MRRP program is considered best-in-class and resulted in an average of 14 main breaks per 100 miles of water main.

We partnered with Bullitt County officials for a complex water main extension in the rural part of the county.

Tapping Federal Funding

Louisville Water has received commitments for approximately $30 million in federal grant funding for infrastructure improvements—a milestone for our company. The funding is from the American Rescue Plan Act of 2021 and the process for allocating funds involved extensive coordination with customers and community leadership throughout our service area. The funding will support 10 capital projects to extend water service to unserved areas, replace aging distribution mains, rehabilitate critical transmission infrastructure, and increase supply to growing areas throughout our retail and wholesale service area.

Louisville Water is proud to support a broad range of community and economic development needs.

Delivering water to an unserved area

One of the projects benefiting from the federal funds is in Bullitt County. Louisville Water partnered with Bullitt County officials for a water main extension on Roe Hill Road that will bring water service and fire protection to 37 households in the rural part of the county. It was a complex extension that included more than two miles of pipe, a new pumping station, and the installation of a fire hydrant.

A unique combination of funding made this $2.6 million project possible. Money from a Community Development Block Grant, the Bullitt County American Rescue Plan, Bullitt County Fiscal Court, the Louisville Water Foundation, and a contribution from Louisville Water will bring safe water and fire protection to the homeowners.

The five-year plan includes a range of major projects.

Planning for Future Investments

While executing current projects, we also planned for future work. Louisville Water's Engineering and Finance Departments successfully developed a challenging five-year infrastructure plan, looking out to 2028. At a little more than $730 million, the plan includes funding for a range of projects to support growth in the Interstate 65 corridor, updating the B.E. Payne Water Treatment Plant, extensive renovations to the Allmond Avenue Distribution Center, improvements at the Crescent Hill Pumping Station, and installation of a new system to move residuals from the Crescent Hill Water Treatment Plant to the lagoons at the B.E. Payne Water Treatment Plant. The plan also includes funding for our ongoing commitment to replace and repair water mains.

$111.5 million in capital expenditures

Two water treatment plants and 31 water storage tanks

More than 4,200 miles of water mains in Louisville

14 main breaks per 100 miles of pipe

Louisville Water Tower is an iconic landmark that has stood tall for over a hundred years. It represents history. It represents innovation. It represents pride.

Scaffolding scaled the 185-foot Tower throughout 2023. An $8 million restoration project brought significant changes to the Tower and the original Pumping Station No. 1, which houses the WaterWorks Museum.

It took three months to install the scaffolding around the Tower.

This enormous project started in 2020 with a forensic investigation of the materials on the Tower to determine the cause of decay and corrosion. In 2022, crews began to repair the Tower and the original pumping station.

The Tower repair was a monumental task as crews stripped paint, replaced decayed wood and corroded metal, repaired intricate ornamental details, and repainted it entirely. Similar work occurred inside the Tower with special attention on controlling moisture that had damaged the brick structure. Columns surrounding both the Tower and pumping station were also stripped, repaired, and given a fresh coat of paint.

Crews removed all the exterior paint on Pumping Station No. 1 down to the original wood and brick and repaired and repainted the ornamental work. Inside the station, workers framed new walls, painted, added acoustic panels inside the Grand Hall, and updated the WaterWorks Museum space.

The Tower's 10 statues remained in storage throughout the year, awaiting their grand return to the balustrade in 2024. They were removed in fall 2020 and restored at an architectural facility in Washington, D.C.

Crews used 977 gallons of paint on the Tower and Pumping Station No. 1.

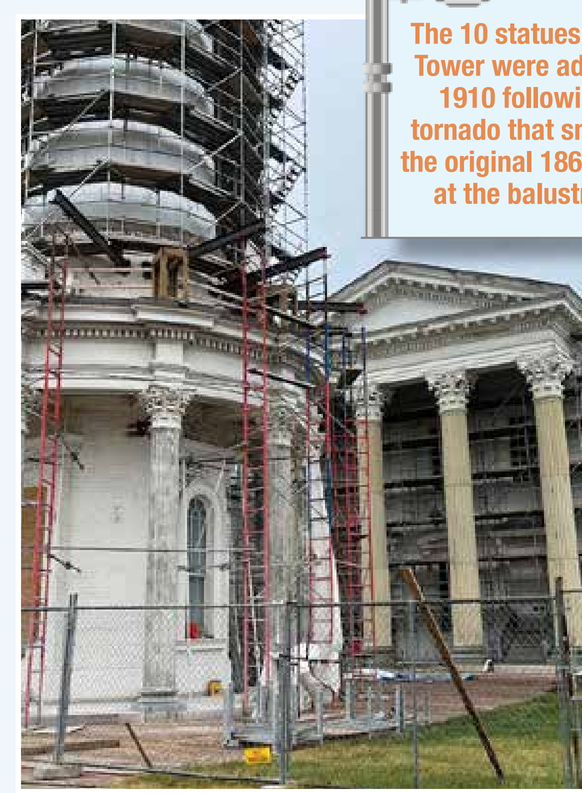
Though no longer operational for today's water production, Louisville Water Tower was built in 1860 for the original Water Works. It is the nation's oldest standing ornamental water tower and is one of eight National Historic Landmarks in our city. Louisville Water is committed to preserving this iconic structure. It symbolizes the quality and innovation that Louisville Water has embodied for more than 163 years.

Louisville firm K. Norman Barry Associates Architects coordinated the project for Louisville Water with Corbett Construction Company.

PRESERVING AN ICONIC LANDMARK: LOUISVILLE WATER TOWER

The balustrade of the Louisville Water Tower includes the original cornerstone dated October 16, 1860.

The 10 statues on the Tower were added in 1910 following a tornado that snapped the original 1860 tower at the balustrade.



Through a range of new initiatives and solid progress in existing programs, we continued to improve our customers' experiences and interactions with Louisville Water.

Advanced Metering Infrastructure (AMI)

Louisville Water reached several milestones in its AMI project, which began in 2020 and is well on its way to making sure all Jefferson County customers have advanced meters with wireless communication capabilities to send data to Louisville Water receivers. These meters facilitate monthly billing and make it easy for customers to monitor their water consumption through the Pure Connect[SM] portal.

More than two-thirds of Jefferson County customers now have advanced meters.

In 2023, Louisville Water contractors installed 103,846 AMI endpoints for a total of 238,137 since the project began. This means more than two-thirds of our customers now have advanced meters. We also converted 73,465 Jefferson County customers to monthly billing in 2023, for an overall total of 144,331 customers—about half—now receiving monthly bills. Louisville Water is currently in the planning stage to expand the AMI project to Oldham and Bullitt County customers.

We plan to finish the installation portion of the AMI project in Jefferson County in 2024. It will be a good example of our commitment to providing the best customer experience and the most efficient operations. For instance, before the AMI project began, Louisville Water would need to "roll a truck" so an employee could read the meter whenever a new homeowner moved in, and the previous homeowner moved out. With AMI, employees can read the meter remotely, which has already eliminated more than 21,300 "truck rolls".

LouisvilleWater.com and Pure Connect[SM]

The most visible sign of an improved customer experience is LouisvilleWater.com. In early 2023, Louisville Water relaunched its website to provide easier navigation and give customers streamlined ways to pay bills, see where crews are working, and get answers to frequently asked questions. Customer service page views rose from about 280,000 in the fourth quarter of 2022 to more than 745,000 in the fourth quarter of 2023.

The successful relaunch of the website followed the success of the 2022 launch of the Pure Connect portal, which provided self-service options for bill payment, water use reports, and common requests. Soon after the portal launched, more than 100,000 customers registered with Pure Connect, far exceeding the 20,000 customers who used the previous portal. In 2023, the number of registered accounts in Pure Connect climbed to 166,575.

Processing New Service Applications

A transformation in the Service Application Department's workflow process made a dramatic difference in the team's ability to process daily applications and communicate with customers. A new project management system helped the department streamline overall operations, eliminate a backlog of applications, and cut customer response time in half. A dashboard allows customers to apply and pay online.

A new project management system helped the Service Application Department streamline operations.

A multi-phase project is improving customer interactions with our call center.

The president of Louisville's Building Industry Association celebrated the improvement and said, "Louisville Water is the first to take our issues and deliver a working solution."

Improving Call Center Operations

Louisville Water launched a multi-phase project to improve customer interactions with our call center. Phase 1, launched in November, included a new Interactive Voice Response [IVR] system that recognizes customers' phone numbers and matches them to the Customer Care & Billing Database. Customer service representatives no longer need to ask for detailed account information because, for most of the customers, the IVR automatically authenticates them. This allows the representative to focus on the customers' needs and work more quickly to resolve any issues. Soon after it was launched, the new phone system lowered the overall caller abandonment rate and reduced handling times by 35 seconds.

The next phases of the project will include several smart features such as an AI-driven agent assistant that transcribes and summarizes the conversation between the customer and the representative. An enhanced Interactive Voice Assistant (IVA) will use machine learning to provide a more conversational experience.

Customer Satisfaction Survey:

Louisville Water prides itself on customer confidence and trust. The goal of providing high-quality water and delivery increased 1% to 76% in 2023 (compared to 75% in 2022 and 74% in 2021).

Louisville Water is devoted to sharing how we produce and deliver our trademarked tap water, Louisville Pure Tap®. Customers frequently comment on how seeing Louisville Water in the community strengthens their trust.

Efforts to highlight the value of water by serving Louisville Pure Tap reached more than 355,000 people in 2023.

172 smaller events had Pure Tap coolers and cups, reaching another 119,000 people.

The total includes free water from Pure Tap tents for nearly 219,000 people at 57 community events.

The Education & Outreach team had 465 customer and community engagements, reaching more than 59,200 people.

Hundreds of runners and walkers participated in the 2023 Pure Tap 5K®, held for the first time in West Louisville's Shawnee and Chickasaw parks. It was also the first time four-legged friends joined us!

The Education & Outreach total included visits to 98 schools, reaching nearly 25,500 students and adults.

Louisville Water's iconic Tower was featured on a bottle of Cavehill, Rabbit Hole Distillery's special single-barrel bourbon release. What an honor for a drinking water provider!

Louisville Water launched a video series, Made with Pure Tap, to highlight local businesses that rely on our water to make their products. The debut video spotlighted Blak Koffee.

Louisville Water is committed to growing our business through regional water partnerships, increasing other operating revenue, innovation, and developing and launching products and services.

Regional Water Partnerships

The transformational economic development in Kentucky with electric vehicles and the bourbon industry has driven the need for an additional supply of water to communities in Nelson, Bullitt, and Hardin counties. Louisville Water is working with water utilities and elected leaders in these counties on projects that will deliver up to an additional four million gallons of water daily.

The work includes installing more than 12 miles of transmission water mains ranging in size from 20 to 42-inches in diameter, building booster pumping stations, and an elevated tank. In 2023, engineers finished designing the projects and bid two of the three phases of work. Construction starts in 2024 and we expect to deliver the additional water supply in 2025. Louisville Water's investment, totaling more than $40 million is matched by investments from Nelson, Bullitt, and Hardin counties with funds the counties received from the Kentucky Legislature in 2022.

This work will also create a new partnership with the city of Bardstown, giving the city an additional source of water. We will provide the service through North Nelson Water District, an existing wholesale partner. North Nelson and Louisville Water are both installing new water mains and adding pumping stations to deliver water to Bardstown.

The economic development that is driving these investments highlights the value of water. In 2023, Louisville Water fielded 37 requests from site selectors on projects with a greater need for water. Louisville Water is unique for a water utility in the emphasis we put on economic development and much of our work centers on branding and marketing our abundant supply, high-quality and low rates. We are contributing to Kentucky's updated economic development plan. Louisville Metro's new plan released in December 2023 highlighted water as one of the city's most important assets.

Supporting Regional Water Providers

Louisville Water has partnerships with nine water systems and cities to supply our drinking water. We also operate the water treatment plant at the River Ridge Commerce Center and Industrial Park in southern Indiana. Water partnerships are an aspect of our business where we see continued growth. One in five Kentuckians depend on our service and in 2023 revenue from wholesale water sales increased nearly 2%.

We executed a new 50-year partnership with one of our partners, the City of Mt. Washington. Since 1970, Louisville Water has provided 100% of Mt. Washington's water service. As the original contract expired in 2023, we finalized a new agreement that will include up to three million gallons of water daily.

Investments from Louisville Water and Bullitt County officials will support growth in the Interstate 65 corridor.

Innovation with New Products and Services

Louisville Water supports innovative strategy and in 2023 we expanded a new service and launched a new product, both designed by a team of employees.

WaterPro Water Leak Protection Plan℠ is a program that addresses a common problem: excess water charges from a water leak. WaterPro is a subscription program where enrolled customers pay $3 per month. The plan covers 100% of the excess water and wastewater charges from a qualified leak up to $3,000.

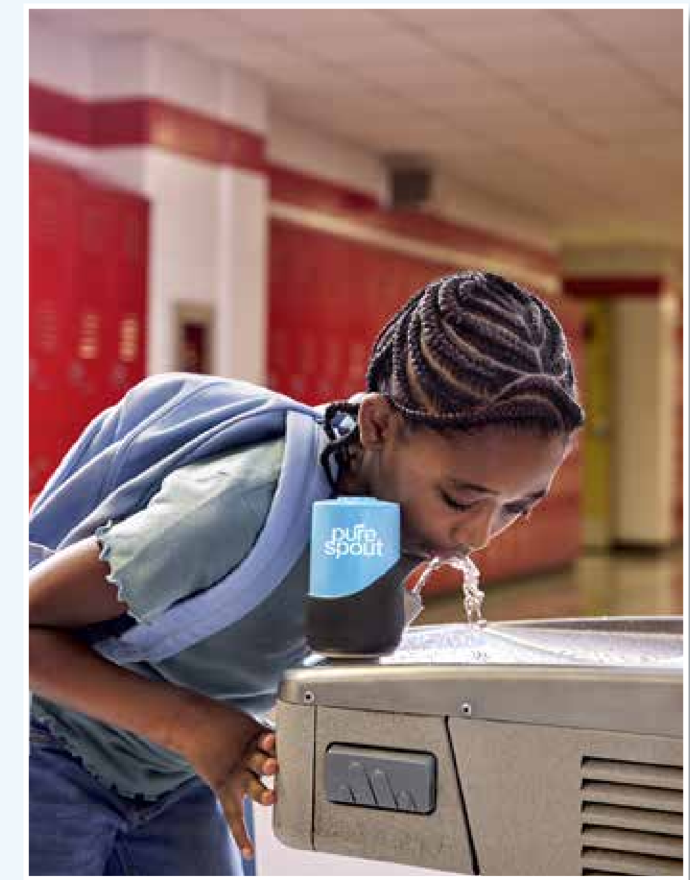
WaterPro℠
Water Leak Protection Plan

We began piloting this plan in late 2021 and in 2023 launched a new pilot to a sample set of customers to test demand and the program's viability. By the end of 2023, more than 1,200 customers had enrolled in the program and the pilot showed favorable indicators for long-term viability.

Pure Spout® is a patented water filtration product developed by Louisville Water scientists to reduce levels of lead in drinking water. Pure Spout replaces the standard spout on many drinking fountains with a replaceable filter. The filter is designed specifically to reduce lead in drinking water and has been certified to NSF/ANSI Standard 53 for lead reduction by IAPMO R&T. The product has received three design awards and is available for purchase through Blue Focus, an innovation studio created as a subsidiary of Louisville Water. In the fall of 2023, Blue Focus launched a sales and marketing strategy in four cities across the country. We will continue to market the product in 2024.

Louisville Water is well known in the water sector for our innovation with water treatment and technology. Pure Spout continues this legacy of improving water quality.

While a team focuses on products and services, another set of employees is developing a digital innovation strategy. Like many utilities, Louisville Water has numerous technological initiatives and a variety of software and support systems. In 2023, the employee team completed an external review of digital strategies for similar-sized utilities and companies. This project continues with an internal assessment for digital readiness, governance, documentation, and policies.



Pure Spout provides filtered water right from the drinking water fountain.

Record Achievements in Safety

Safety is a core value and in 2023, Louisville Water had one of its safest years on record. The work at a water utility is often dangerous and protecting our employees is a priority. Louisville Water had zero OSHA-recordable injuries in the first quarter of 2023. The momentum carried throughout the year, with only six injuries reported among Local 1683 employees who specialize in field operations and maintaining the treatment plants.

A team safety blitz included delivering healthy snacks with a safety message to crews.

This achievement is the result of a continuous emphasis on safety that's become part of our culture. The focus includes:

- Safety field audits
- Weekly safety tailgate meetings with employees
- Annual safety awareness giveaways and team incentives

An organized "safety blitz" returned for the first time since COVID. Managers, executive leaders, and safety team members delivered healthy snacks with a safety message to crews as they started their day.

Every employee completed the required safety training and others participated in first aid, CPR, and AED (automatic external defibrillator) training provided by Louisville Water through Louisville Fire & Rescue. Additionally, new AED machines were placed in every company location and the safety department confirmed every field crew vehicle has a first aid kit.

Unfortunately, we live in a time where planning for a potential threat is necessary. Louisville Water's Security and Emergency Management team led the company-wide initiative to protect and empower our employees through active aggressor training. A classroom lesson taught by former law enforcement officials was required while all employees had the option to engage in various real-life scenarios. Because field crews interact more often with the public, they also completed de-escalation courses to learn ways to manage difficult situations.

Building a Work Family

Following the pandemic, larger employee gatherings and activities are becoming normal again. Interacting with each other and getting to know coworkers from different locations outside of work is critical to building relationships and creating a positive work culture.

Employees enjoyed food, fun, and fellowship at the company picnic.

The competition was fierce during the tug-o-war at the employee picnic.

Aside from events like food truck days, health & wellness fairs, and employee breakfasts, the Employee Activities Committee organized off-site events on a grander scale. Louisville Water night at the Louisville Bats baseball game hit a homerun with employees. A company picnic allowed employees to bring their families for a fun-filled afternoon at George Rogers Clark Park, and for the first time since COVID, Louisville Water hosted a holiday party in-person instead of virtually.

CORE Council members visited each location to connect with more employees.

440 employees work at Louisville Water

Only six injuries reported among Local 1683 members

Diversity, Equity, Inclusion, and Belonging (DEIB)

Our DEIB initiative forged ahead as we completed Phase III and launched Phase IV. Most notably, Louisville Water amplified its DEIB efforts by hiring Cathy Scrivner as the Director of Diversity. Scrivner previously worked as a consultant for the firm that has guided our plan. Scrivner immediately went to work meeting with employees, evaluating processes, and identifying opportunities for growth or change.

Employees also completed the next level of DEIB training while managers participated in their own sessions separately.

The Culture of Ownership, Respect, and Engagement (CORE) Council spread its message by hosting events at each Louisville Water location. The goal was to introduce council members and CORE's mission, but also to spark conversations between employees who didn't know each other beforehand. In late 2023, CORE installed comment boxes where employees could anonymously report concerns or make suggestions to foster better inclusivity.

Recognizing Employees to Recruit Future Employees

Our employees make Louisville Water a good place to work. When deciding the best way to recruit new employees, we looked inside. In 2023, we produced a series of videos where scientists, metering specialists, plumber leaders, customer service representatives, and supervisors described their jobs and why they enjoy working at Louisville Water. Nearly 70 job vacancies were filled in 2023.

Our engineers were busy building relationships with students in the University of Louisville's J.B. Speed School of Engineering. Members of the American Society of Civil Engineers' student chapter learned about the different career choices at Louisville Water. Engineers also established a connection with Moore High School, showing students real-world opportunities related to their studies in the STEM (Science, Technology, Engineering, Math) program.

Employees shared why they enjoy working at Louisville Water in a series of recruitment videos.

Community Engagement

Louisville Water's impact flows beyond the high-quality drinking water. From providing customers with financial assistance through Drops of Kindness[SM] and leading philanthropic efforts in the community to increasing employee participation in community activities and supporting ambitions to impact the water sector, Louisville Water improves the community's quality of life.

Drops of Kindness[SM]

Drops of Kindness helped more than 850 customers in 2023.

Public health is at the core of Louisville Water's mission. Ensuring customers have access to our drinking water is so important that Louisville Water established a customer assistance program many years ago. Known today as Drops of Kindness, the program helped more than 850 customers in 2023. The Louisville Water Foundation distributes direct customer assistance in the program and in 2023, the Board of Water Works approved a $300,000 donation to the Foundation, with most of the funds going toward customer payment assistance. That funding along with individual donations allowed Drops of Kindness to support organizations in three counties where Louisville Water provides direct water service- Jefferson, Bullitt, and Oldham. We also made changes to our bill in 2023 that allow customers to add donations when they submit their payments.

We are developing a long-term plan for affordability, working with Louisville MSD and community partners. We spent 2023 evaluating existing efforts, analyzing customer data, and meeting with community liaisons. We expect to finalize the plan in 2024.

Louisville Water Service Board

The Louisville Water Service Board cooked and served a meal to families at the Ronald McDonald House.

Ten employees are part of Louisville Water's Service Board and in 2023, this group spearheaded efforts that benefited over 10 organizations. The activities included: planting trees with Louisville Grows; WE Day KY's Walk for Compassion with Louisville Mayor Craig Greenberg and local youth; handing out Louisville Pure Tap® to thousands of runners in the KDF mini/MARATHON; collecting school supplies for hundreds of Jefferson County Public Schools students; and packing boxes of food for Kentucky Refugee Ministries.

Service Board members joined other volunteers to fill boxes for Kentucky Refugee Ministries.

Additionally, the Service Board organized an internal campaign to support the Salvation Army Angel Tree program. Together, employees adopted around 60 Angels and volunteered their time to give thousands of local children a happy holiday season.

For a second year, Louisville Water Service Board members led the company-wide Pledge Drive which supports four nonprofit partners: Metro United Way, Louisville Water Foundation, Fund for the Arts, and Water For People. The board increased employee participation with one-time donations and weekly payroll contributions totaling more than $123,000 in pledge dollars for 2024. From providing financial and educational equity to allowing clean water access or building a thriving arts culture in the community, these four organizations are worthy charities Louisville Water is proud to support.

Thomas Family Scholarship

In February 2023, Erik Ballard accepted the Thomas Family Scholarship sponsored by Louisville Water. The scholarship is named in honor of the first Black family on Louisville Water's payroll dating back to 1872. This award is administered by the YMCA's Black Achievers Program and funded through a grant from Louisville Water's Board of Water Works. The $10,000 annual scholarship is awarded to a graduating Black senior who will continue higher education studies in Kentucky.

duPont Manual High School senior Erik Ballard received the 2023 Thomas Family scholarship.

Ballard graduated from duPont Manual High School in Louisville and wrote several essays to qualify for the scholarship, one of which focused on the importance of water in the environment.

An aspiring engineer, Ballard enrolled in his freshman year at the University of Kentucky in fall 2023.

Dr. Rengao Song Scholarship

Salma ElSherif received the Dr. Rengao Song Scholarship for Water Science and Technology. ElSherif is pursuing her Ph.D. in Civil & Environmental Engineering at Vanderbilt University, with a specific focus on infrastructure systems. ElSherif received the award at the 2023 Kentucky/Tennessee Water Professionals Conference, held in Memphis.

The Dr. Rengao Song Scholarship was awarded to Salma ElSherif who is pursuing her Ph.D. in Civil & Environmental Engineering.

Dr. Rengao Song retired in 2020 following a long career as Louisville Water's Director of Water Quality and Research. Song is considered an industry icon who was passionate about innovation and excellence in water quality. This is the third year for the award created in part by Louisville Water with the Kentucky-Tennessee Section of the American Water Works Association.

PRSA Reputation Management Award

Louisville Water protected the reputation of the company's drinking water following a train derailment in northeast Ohio.

Louisville Water's Communications team received the Reputation Management Award from the Bluegrass chapter of the Public Relations Society of America (PRSA) for successfully protecting the company's reputation following a risk communication situation.

LouisvilleWater.com Awards

The new LouisvilleWater.com that went live in January 2023 is a pillar of a positive customer service experience. The website received international, national, and regional awards:

- dotCOMM Gold: An international competition honoring excellence in web creativity and digital communication.
- W3 Silver: A national competition sanctioned by the Academy of Interactive and Visual Arts.
- Public Relations Society of America Bluegrass Chapter: Landmarks of Excellence, Award of Merit

The new LouisvilleWater.com was an award-winning relaunch of the website.

Harbor House Mail & Fulfillment Award

Louisville Water received the 2023 Mail & Fulfillment Customer of the Year award during the grand opening of the Harbor House Intergenerational Life Center. Harbor House provides employment and programming for adults with physical and intellectual disabilities. Louisville Water has partnered with the organization since the early 1990s for communication assistance.

Louisville Water received the Harbor House Mail & Fulfillment Customer of the Year award.

Diversity & Inclusion Award

Lauren Horton received the Diversity & Inclusion Award at the KY/TN Water Professionals Conference.

The 2023 KY/TN Water Professionals Conference honored employees for making a difference in their company or community. Louisville Water Digital Communications Specialist Lauren Horton received the Diversity & Inclusion Award. Horton is a founding member of Louisville Water's CORE (Culture of Ownership, Respect, and Engagement) Council, an employee-led effort.

Safety Society Honors

Brad Hart, Louisville Water Security & Emergency Preparedness Manager, was named president of the Louisville Chapter of the American Society of Safety Professionals (ASSP). The membership of the ASSP Louisville Chapter includes more than 400 professionals dedicated to creating safe work environments.

Brad Hart was named president of the Louisville Chapter of the American Society of Safety Professionals.

Partnership for Safe Water's 10-Year Directors Award

Louisville Water was honored at the American Water Works Association annual conference with the Partnership for Safe Water's 10-Year Directors Award. It recognizes our consistently high-quality performance and our long-term commitment to optimization of our water treatment processes.

The 10-Year Directors Award recognizes our long-term commitment to optimization of our treatment plants.

Pure Spout® Design Awards

Pure Spout, a patented water filtration product developed by our scientists received three awards through Kinetic Vision, the design partner.

- Industrial Designers Society of America: Silver award for social impact design
- CORE 77: Professional honor for social impact design
- Good Design award from the Chicago Athenaeum Museum of Architecture and Design and Metropolitan Arts Press Ltd.

pure spout®

Louisville Water's financial performance in 2023 was exceptionally strong. Net income increased by $19.4 million or 37.3%, an amazing accomplishment. Total shareholder value provided to Louisville Metro through the dividend and free water service also improved significantly, totaling $50.6 million, compared to $43.2 million in 2022. Water consumption was higher than in 2022 and as a result, operating revenue grew by 6.3%. Non-operating income was also up significantly because of increases in interest income and grant revenue. A large positive actuarial adjustment related to pension and post-retirement benefits lessened the overall increase in operating expenses.

Water consumption rose to 34.2 billion gallons in 2023, an increase of 2.2% over the prior year and our highest level since 2015. Every customer category except for wholesale increased in 2023, with growth in residential and commercial consumption accounting for the majority of the overall increase. Despite a slight dip in wholesale water sales in 2023, this category has exhibited robust growth in recent years. Wholesale water sales and alternative lines of revenue are a key strategy to combat the long-term trend of declining retail water consumption. In 2023, other operating revenue increased by 1.6%.

Operating expenses were up 1.6% in 2023 as compared to the prior year. Positive actuarial adjustments related to pension and other post-retirement benefits provided a significant offset to operating expenses and limited the overall increase. Excluding these actuarial adjustments, the increase in operating expenses was 7.1%. This increase resulted from higher operating and maintenance expenses, depreciation and amortization, water and fire service provided in lieu of taxes, and loss from disposal of retired assets. Operating and maintenance expenses increased 7.4% as compared to the previous year, reflecting the continuing impact of inflationary pressures driving higher than normal rates in many categories.

In 2023, Louisville Water invested $111.5 million in its infrastructure and technology. The top three projects accounted for a fourth of capital funds spent: the advanced metering project, renovation at the Crescent Hill Water Treatment Plant for office space, and the restoration of the Louisville Water Tower. In 2024, the capital program budget net of grant funds is $121 million and nearly half is devoted to infrastructure renewal.

Louisville Water anticipates financial performance will remain strong in 2024. Though the state of the economy and weather patterns can impact water consumption, we are positioned to take appropriate steps to preserve the strong financial performance. While retail water sales are at the core of our revenue, we will continue to focus on regional partnerships and innovation to grow long-term financial viability.

Historical Review

(000s)	2019	2020	2021	2022	2023
Water Revenue	$ 182,053	$ 183,839	$ 195,962	$ 203,187	**$ 217,064**
Other Operating Revenue	$ 18,315	$ 17,913	$ 18,638	$ 20,948	**$ 21,287**
Operating Expenses*	$ 145,829	$ 152,534	$ 156,799	$ 167,593	**$ 179,516**
GASB 68/75 Pension/OPEB Actuarial Adjustment	$ 10,467	$ 10,361	$ 2,657	$ (393)	**$ (9,686)**
Net Non-Operating Expenses	$ (5,458)	$ (5,813)	$ (4,795)	$ (4,947)	**$ 2,873**
Net Income before Distributions and Contributions	$ 38,614	$ 33,044	$ 50,349	$ 51,988	**$ 71,395**

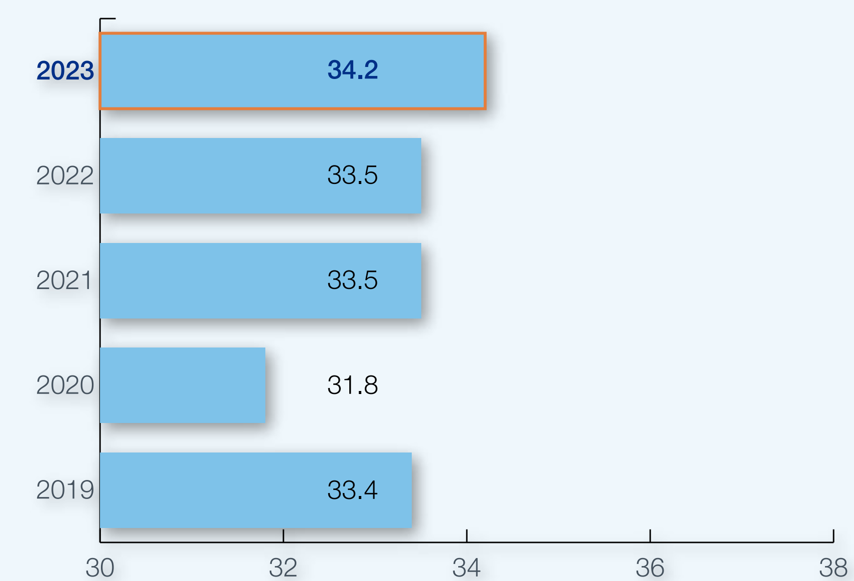
**Does not include GASB 68/75 Pension/OPEB Actuarial Adjustment*

Operations

(amount in millions of gallons)	2019	2020	2021	2022	2023
Water Delivered to Mains (Net System Delivery)	43,623	42,523	44,946	46,440	**47,020**
Average Daily Pumpage	119	116	123	127	**129**
Maximum Daily Pumpage	159	147	161	172	**166**
Percent of Water Metered	77%	75%	76%	73%	**73%**

Total Consumption

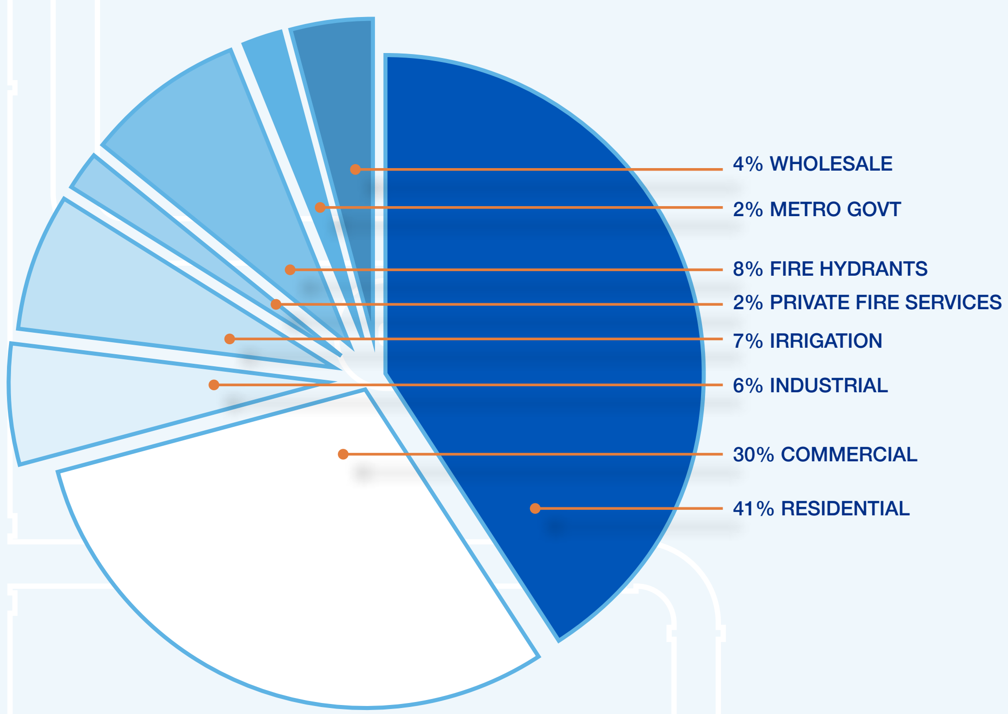
(in billion gallons)



Sale of Water

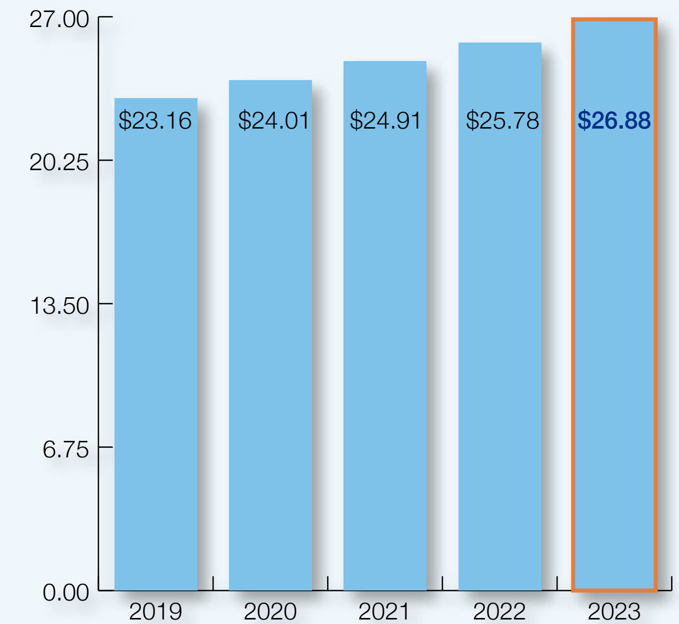
	Number of customers at December 31 2023	2022	Consumption - ytd gallons (000s) 2023	2022	Revenue - ytd (in 000s) 2023	2022
Residential	**258,633**	257,813	**12,307,836**	11,893,884	**$ 88,677**	$ 82,273
Commercial	**23,646**	23,573	**12,000,338**	11,843,880	**64,313**	60,494
Industrial	**460**	455	**3,484,011**	3,395,836	**13,583**	12,667
Irrigation	**14,219**	14,079	**2,202,902**	2,149,253	**15,728**	14,707
Fire Services	**4,869**	4,817	**60,742**	52,358	**4,498**	4,099
Wholesale	**9**	9	**3,167,400**	3,188,498	**8,276**	8,119
Total	**301,836**	300,746	**33,223,229**	32,523,709	**195,075**	182,359
Public Fire Hydrants	**25,079**	24,953	**-**	-	**17,419**	16,627
Metro Govt	**608**	641	**969,210**	933,120	**4,570**	4,201
Total	**25,687**	25,594	**969,210**	933,120	**21,989**	20,828
Grand Totals	**327,523**	326,340	**34,192,439**	33,456,829	**$ 217,064**	$ 203,187

2023 Water Revenue



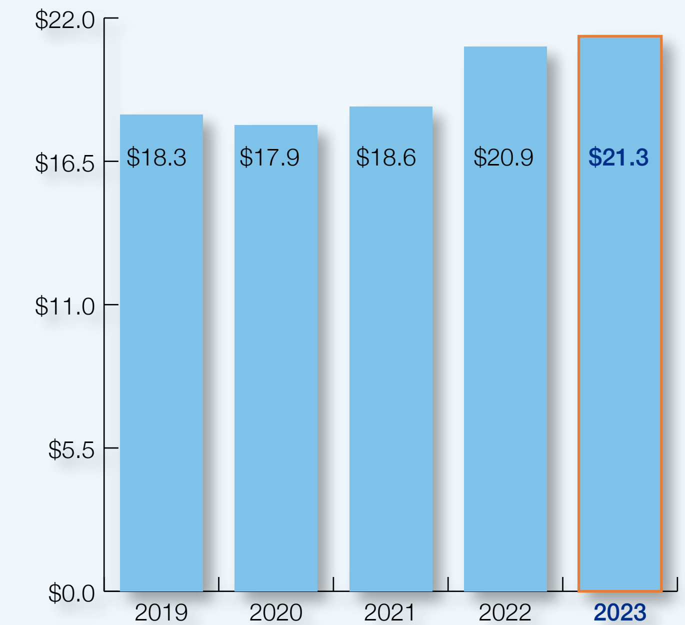
Average Residential Monthly Water Bill

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



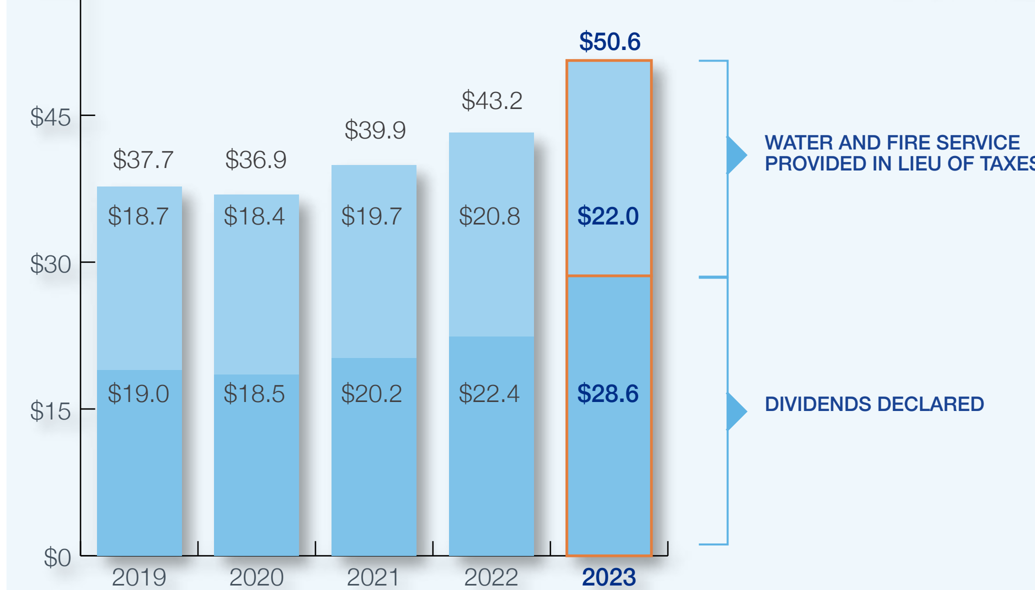
Other Operating Revenue

(in millions)

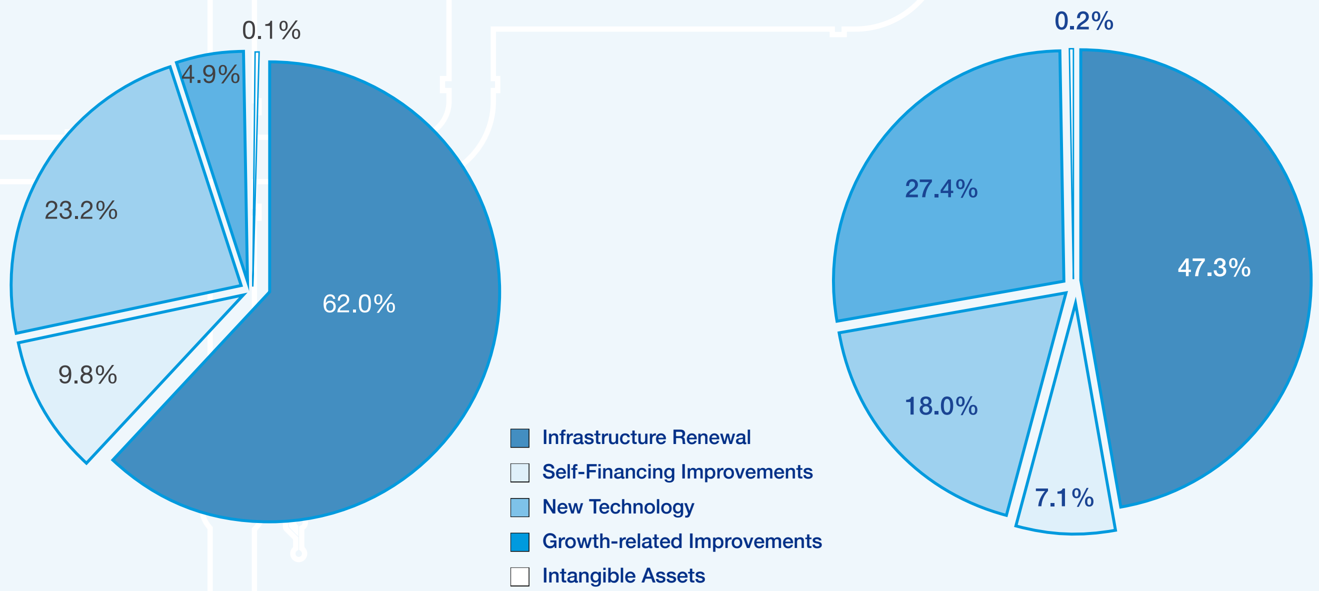


Total Contributions to Louisville Metro

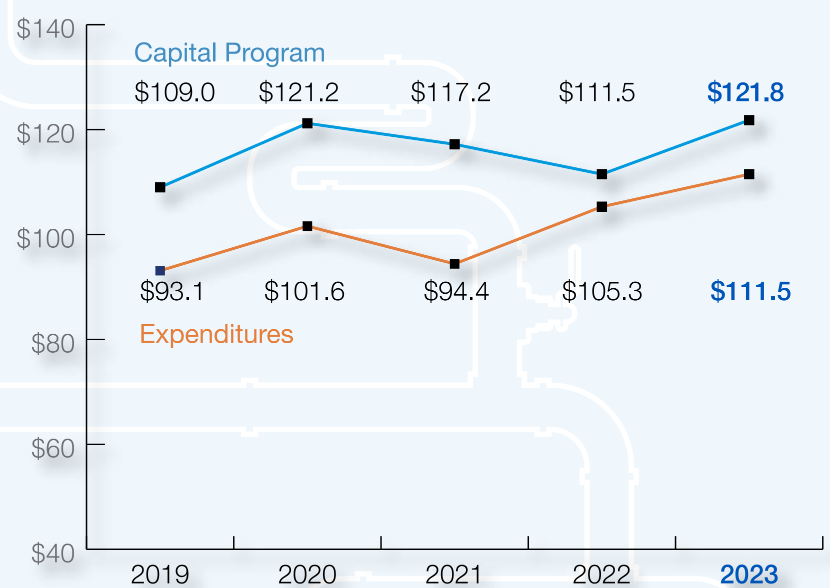
(in millions)



2023 Capital Improvement Plan | **2024 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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on the financial statements of Louisville Water Company in our report dated May 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 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 27-33 and 59-71 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, 2024 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, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023 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 2023 Performance

Operating Revenue grew substantially in 2023, due primarily to increased water revenue. Every customer category with the exception of wholesale increased in 2023, with growth in residential and commercial consumption accounting for the majority of the overall increase. The increase in consumption, along with a 2023 average rate increase of 4.25%, resulted in growth in water revenue of $13.9 million or 6.8%. Other Operating Revenue was also up in 2023, increasing by $340 thousand or 1.6%. Operating Expense increased by $2.6 million or 1.6%, driven primarily by increases in Operating and Maintenance Expense and Depreciation and Amortization, offset to a great extent by a significant decline in Pension/OPEB actuarial adjustment expense. As a result, Net Operating Revenue increased by $11.6 million for the year.

Net income before Distributions and Contributions totaled $71.4 million in 2023. The resulting dividend of $28.6 million, combined with free water and fire protection valued at $22 million, provided a total shareholder value of $50.6 million, a 17% increase from 2022. This improvement was a result of a higher dividend, and to a lesser extent an increase in Louisville Metro's water consumption.

Financial Highlights

- Total Net Position increased by $53.9 million, or 4.9% primarily due to funds generated from operations, net of dividend paid to the Company's shareholder.
- Operating Revenues increased by $14.2 million or 6.3%, due to higher water consumption and a water rate increase of 4.25% effective January 1, 2023 along with higher revenue from non-water sources. Water sales in 2023 of 34.2 billion gallons were 2.2% higher than 2022 sales.
- Operating Expenses increased by $2.6 million, or 1.6%, primarily as a result of increases in Operating and Maintenance Expense of $7.1 million, Depreciation and Amortization Expense of $2.6 million, Water and Fire Service Provided in Lieu of Taxes of $1.1 million and Loss from Sale and Salvage of Retired Assets of $1.1 million, offset to a great extent by a decline in Pension/OPEB Actuarial Adjustment expense of $9.3 million.
- Net Non-Operating Income/Expense went from net expense of $4.9 million in 2022 to net income of $2.9 million in 2023, a net positive change of $7.8 million, due to increases in interest income and grant revenue received during 2023, partially offset by higher interest costs.

- Net Income before Distributions and Contributions increased by $19.4 million, or 37.3%.
- Dividends Paid and Payable were up by $6.1 million, as the three-year average of adjusted net income utilized for the dividend calculation increased by $12.3 million.

Statement of Net Position

Total Net Position increased by $53.9 million, or 4.9%, in 2023 (see Figure 1). The largest portion of Net Position is Net Utility Plant, which increased by $50.2 million in 2023 as a result of additional investment in capital assets. The capital assets were funded by the 2022 bond issuance, cash generated from operations and Contributions in Aid of Construction from developers, customers, and governmental agencies. Current Assets increased by $15.2 million in 2023, primarily due to an increase in Short-term Liquid Investments, partially offset by a decline in Restricted, Expendable Bond Accounts which resulted from the expenditure of proceeds from the Series 2022 bonds. Non-current Assets fell by $32.3 million. This reduction was a result of $43.1 million of long-term treasury securities moving to current assets when their time to maturity fell below one year, offset by increases in Prepaid Regulatory Assets of $5 million, Restricted Reserves of $4.9 million and Net OPEB Asset of $1.6 million. Current Liabilities increased by $12.9 million in 2023, while Long-term Liabilities fell by $60.4 million. The decline in Long-term Liabilities was due to decreases in Bonds Payable and related Unamortized Premium and Discount of $25.2 million and in Net Pension/OPEB Liability of $35.2 million.

FIGURE 1—*Condensed Statement of Net Position*

	2023	2022	Difference	Percent
Current Assets	$ 138,206,511	$ 122,980,156	$ 15,226,355	12.4%
Noncurrent Assets	57,685,407	90,017,403	(32,331,996)	(35.9%)
Deferred Outflows of Resources	13,643,609	16,340,761	(2,697,152)	(16.5%)
Net Utility Plant	1,453,124,277	1,402,884,869	50,239,408	3.6%
Total Assets and Deferred Outflows of Resources	1,662,659,804	1,632,223,189	30,436,615	1.9%
Current Liabilities	65,343,936	52,486,226	12,857,710	24.5%
Long-term Liabilities	410,078,777	470,495,082	(60,416,305)	(12.8%)
Deferred Inflows of Resources	38,449,420	14,317,460	24,131,960	168.5%
Total Liabilities and Deferred Inflows of Resources	513,872,133	537,298,768	(23,426,635)	(4.4%)
Total Net Position	$ 1,148,787,671	$1,094,924,421	$ 53,863,250	4.9%

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues grew by $14.2 million, or 6.3%, in 2023 (see Figure 2) due to an increase in Water Revenue and to a lesser extent, Other Operating Revenue. The increase in Water Revenue is attributable to higher rates and increased water consumption. Every customer category with the exception of wholesale increased in 2023, with growth in residential and commercial consumption accounting for the majority of the overall increase. Other Operating Revenue increased by $339 thousand or 1.6% in 2023 primarily as a result of higher customer charges.

The key components of Operating Expenses are: Operating and Maintenance Expenses; GASB 68/75 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 $2.6 million, or 1.6% in 2023. Positive actuarial adjustments of $9.7 million related to pension and other post-retirement benefits provided a significant offset to operating expenses and limited the overall increase. Excluding these actuarial adjustments, the increase in operating expenses was 7.1%. Operating and Maintenance Expenses increased $7.1 million, with inflationary pressures driving higher than normal increases in many categories. The most significant increases were in power and chemicals, materials and supplies, insurance and labor and labor-related costs. Depreciation and Amortization increased by $2.6 million due to additional investment in capital assets. Water and Fire Service Provided in Lieu of Taxes increased by $1.1 million as a result of higher water consumption by Louisville Metro and the water rate increase implemented on January 1, 2023. Loss from Sale and Salvage of Retired Assets increased by $1.1 million.

Net Non-Operating Income/Expense went from a net expense of $4.9 million in 2022 to a net income of $2.9 million in 2023 due to increases in interest income and grant revenue, partially offset by higher interest costs. Interest income grew by $6.1 million in 2023 due to higher rates earned and an increase in funds invested. The source of the additional funds was proceeds from the bonds issued in October of 2022. Interest expense increased by $1.6 million due to the issuance of these bonds. Grant revenue increased by $3.1 million as the company received American Rescue Plan grants of $2.8 million and Community Development Block grants of $538 thousand to fund capital projects.

Net Income before Distributions and Contributions increased by $19.4 million, or 37.3%. 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 2023 increased by $6.1 million or 27.4%.

Contributions in Aid of Construction are comprised of: pipeline contributions from developers for water main extensions and from governmental agencies for water main relocations; service installation fees from customers; apportionment warrant fees and tapping fees from customers to extend water service to unserved areas; and system development charges from customers for growth-related expansion. The level of capital contributions varies from year to year and is affected by economic cycles. These types of projects are fully funded or nearly fully funded by outside entities in advance of construction. Contributions in Aid of Construction decreased by $5 million or 31.3%, from the previous year.

FIGURE 2—*Condensed Statement of Revenues, Expenses and Changes in Net Position*

	2023	2022	Difference	Percent
Operating Revenue	$ 238,351,396	$ 224,134,477	$ 14,216,919	6.3%
Operating Expenses	169,829,745	167,200,133	2,629,612	1.6%
Net Operating Revenue	68,521,651	56,934,344	11,587,307	20.4%
Net Non-Operating Income/ (Expense)	2,873,476	(4,946,797)	7,820,273	158.1%
Net Income Before Distributions and Contributions	71,395,127	51,987,547	19,407,580	37.3%
Dividends	28,580,363	22,438,542	6,141,821	27.4%
Contributions in aid of Construction	11,048,486	16,078,639	(5,030,153)	(31.3%)
Change in Net Position	53,863,250	45,627,644	8,235,606	18.0%
Net Position, Beginning of Year	1,094,924,421	1,049,296,777	45,627,644	4.3%
Net Position, End of Year	$ 1,148,787,671	$1 ,094,924,421	$ 53,863,250	4.9%

Statement of Cash Flows

Cash at the end of 2023 was $3 million lower than at the end of 2022 (see Figure 3).

- Cash from Operating Activities was $117.9 million, increasing by $12.1 million as compared to the prior year. More cash was received from customers compared to 2022 as a result of higher Water Revenue, while the total of cash paid to employees, suppliers and others declined in 2023.
- Cash used by Capital and Related Financing Activities was $127 million in 2023, down $103.6 million from 2022. This change was a result of $89 million net cash received in the prior year from the 2022 bond issuance, an $8.8 million increase in cash expended on the acquisition and construction of utility plant and non-utility property and an increase in bond principal and interest paid of 6.7 million.
- Cash provided by Investing Activities was $31.8 million in 2023 as compared to cash used of $90.4 million in 2022. A reduction in investment purchases of $89 million, an increase in investment maturities of $8.3 million, an increase in interest received of $3 million and a net change of $21.8 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 $45 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*

	2023	2022	Difference	Percent
Cash Flows From				
Operating Activities	$ 117,904,060	$ 105,845,046	$ 12,059,014	11.4%
Non-Capital Financing Activities	(25,676,342)	(20,337,714)	(5,338,628)	(26.2%)
Capital and Related Financing Activities	(126,982,539)	(23,395,526)	(103,587,013)	(442.8%)
Investing Activities	31,753,512	(90,411,758)	122,165,270	135.1%
Net Change in Cash	(3,001,309)	(28,299,952)	25,298,643	89.4%
Cash, Beginning of Year	45,716,904	74,016,856	(28,299,952)	(38.2%)
Cash, End of Year	$ 42,715,595	$ 45,716,904	$ (3,001,309)	(6.6%)

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 2023 shows the Company plans to invest $730.1 million in improvements during 2024-2028.

The Company spent $95.3 million on its capital program in 2023, with the largest portion being spent on infrastructure renewal. As shown in Figure 4, total investment in Utility Plant was $1.5 billion as of the end of 2023, an increase of $50.2 million from the prior year. Infrastructure renewal projects account for 47% of the planned 2024 capital expenditures. In 2024, the Company will make significant investments in main replacement and rehabilitation, projects related to its regionalization initiatives and new technology. Please see Note 6 for capital assets detail.

FIGURE 4—*Condensed Summary of Capital Assets*

	2023	2022	Difference	Percent
Capital Assets	$ 2,083,757,243	$ 1,984,223,494	$ 99,533,749	5.0%
Less Accumulated Depreciation	(773,310,308)	(724,182,913)	(49,127,395)	(6.8%)
Capital Assets, Net	1,310,446,935	1,260,040,581	50,406,354	4.0%
Capital Assets not being Depreciated	142,677,342	142,844,288	(166,946)	(0.1%)
Utility Plant, Net	$ 1,453,124,277	$ 1,402,884,869	$ 50,239,408	3.6%

Debt Administration

As of December 31, 2023, the Company has principal outstanding of $89.1 million for the Series 2015 Bonds, $119.6 million for the Series 2019 Bonds, $121.7 million for the Series 2022 Bonds and $860 thousand for the KIA loan for a total of $331.3 million. 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 2.15 times in 2023, an increase from the prior year. Please see Notes 7 and 8 for long-term debt detail.

FIGURE 5—*Debt Service Coverage*

	2023	2022	Difference	Percent
Income Available for Debt Service	$ 71,473,194	$ 58,700,004	$ 12,773,190	21.8%
Current Aggregate Net Debt Service	33,173,000	29,906,220	3,266,780	10.9%
Debt Service Coverage Times	2.15	1.96	0.19	9.7%

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 2024 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 4.80% on January 1, 2024. Water rates for wholesale customers are recommended to increase on July 1, 2024. 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, 2023 and 2022.

FIGURE 6—Computation of Stockholder's Equity

	2023	2022	Difference	Percent
Total Equity Capital - Beginning of Year	$ 712,057,985	$ 682,508,980	$ 29,549,005	4.3%
Plus: Income Before Distributions and Contributions	71,395,127	51,987,547	19,407,580	37.3%
Less: Dividends	28,580,363	22,438,542	6,141,821	27.4%
Total Equity Capital - End of Year	754,872,749	712,057,985	42,814,764	6.0%
Less: Cumulative Deposits to Infrastructure Replacement Reserve	56,428,244	54,928,244	1,500,000	2.7%
Stockholder's Equity Eligible for Return Computation	$ 698,444,505	$ 657,129,741	$ 41,314,764	6.3%

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 2023, Adjusted Net Income was $70 million. The return on equity earned by Louisville Water in 2023 was 10.01%.

Comparative Analysis of Financial Results

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

FIGURE 7—Comparative Analysis of Financial Results

Liquidity	Access Readily Available Assets to Meet Near-Term Obligations	2022	2023	2024 Budget	Target
Days of Funded Operations	(Cash + Short-Term Liquid Inv.) / (O&M Expense / 365)	313	381	285	>250
Capitalization	**Reliance on Debt Financing for Capital Investments**	**2022**	**2023**	**2024 Budget**	**Target**
Debt to Net Utility Plant	Debt / Net Utility Plant	24.96%	22.80%	20.57%	<35%
Debt to Capitalization	Debt / (Debt + Net Position)	24.23%	22.38%	20.70%	<24%
Coverage	**Capacity to Make Debt Service Payments**	**2022**	**2023**	**2024 Budget**	**Target**
Debt Service Coverage	Income Available for Debt Service / Debt Service	1.96	2.15	1.85	Current Target >2.0
Section 603 Rate Covenant	Net Revenue / Max Agg. Debt Service	361%	363%	322%	>130%
Debt Service Safety Margin	(1 - O&M Expense + Debt Service) / (Operating Revenue + Non-Operating Revenue)	44.18%	44.57%	42.34%	>30%
Profitability	**Profitability of the Company**	**2022**	**2023**	**2024 Budget**	**Target**
Return on Equity	(Net Income – Infrastructure Reserve Replacement ("IRR") + Bond Reserve Adjustment) / Stockholder Equity Eligible for Return	7.84%	10.01%	6.94%	>7.5%
Return on Net Utility Plant	Net Income / Net Utility Plant	3.71%	4.91%	4.59%	>3.5%
Net Profit Margin	Net Income / Operating Revenue	23.19%	29.95%	27.73%	>20%
Dividend Payout	**Measurement of Distribution of Profit as a Dividend**	**2022**	**2023**	**2024 Budget**	
Dividend Payout	Dividends Declared / (Net Income - IRR)	43.58%	40.89%	51.19%	
Total Transfers	(Water in Lieu of Taxes + Dividends) / Operating Revenue	19.39%	21.26%	19.31%	

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.

STATEMENT OF NET POSITION

December 31, 2023
(With Summarized Financial Information as of December 31, 2022)

	2023	2022
ASSETS		
Current Assets		
Cash	$ 42,715,595	$ 45,716,904
Short-term liquid investments	64,913,117	36,586,654
Cash and short-term liquid investments	107,628,712	82,303,558
Accounts receivable, net	12,665,348	10,830,865
Contracts receivable, current portion	585,028	569,471
Materials and supplies	9,626,297	7,521,214
Restricted, expendable bond accounts	3,414,795	17,827,335
Other current assets	4,233,064	3,886,523
Accrued interest receivable	53,267	41,190
Total Current Assets	138,206,511	122,980,156
Utility Plant, net of accumulated depreciation	1,453,124,277	1,402,884,869
Noncurrent Assets		
Investments	-	43,137,037
Restricted reserves	41,612,805	36,736,477
Non-utility property	2,240,270	2,320,421
Unamortized bond issuance costs	1,202,122	1,376,299
Net OPEB asset	1,645,994	-
Contracts receivable	329,682	379,720
Preliminary engineering charges	397,308	1,053,402
Prepaid regulatory assets	10,257,226	5,014,047
Total Noncurrent Assets	57,685,407	90,017,403
Total Assets	1,649,016,195	1,615,882,428
Deferred Outflows of Resources		
Pension	7,925,772	7,268,184
OPEB	5,717,837	9,072,577
Total Deferred Outflows of Resources	13,643,609	16,340,761
Total Assets and Deferred Outflows of Resources	$ 1,662,659,804	$ 1,632,223,189

(continued)

December 31, 2023
(With Summarized Financial Information as of December 31, 2022)

	2023	2022
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 22,623,739	$ 15,852,940
Sewer collections (contra)	2,474,810	2,316,266
Customer deposits and advances	5,329,175	5,841,360
Tax collections payable	688,767	516,041
Accrued interest payable	1,677,909	1,795,697
Contracts payable, retainage percentage	5,997,933	3,307,053
Accrued payroll	465,969	448,118
Accrued vacation and sick leave	1,705,442	1,602,930
Insurance reserve	2,505,078	1,887,679
Bonds and notes payable, current portion	21,875,114	18,918,142
Total Current Liabilities	65,343,936	52,486,226
Long-Term Liabilities		
Customer advances for construction	-	7,032
Net pension liability	76,498,832	87,737,958
Net OPEB liability	-	23,948,469
Unamortized debt premium and discount	24,205,477	27,552,040
Bonds and notes payable, less current portion	309,374,468	331,249,583
Total Long-Term Liabilities	410,078,777	470,495,082
Total Liabilities	475,422,713	522,981,308
Deferred Inflows of Resources		
Pension	10,797,509	3,774,818
OPEB	27,371,924	9,944,107
Gain on refunding of debt	279,987	598,535
Total Deferred Inflows of Resources	38,449,420	14,317,460
Total Liabilities and Deferred Inflows of Resources	513,872,133	537,298,768
Net Position		
Net investment in capital assets	1,098,644,764	1,037,908,091
Unrestricted	5,115,308	17,402,664
Restricted, expendable – debt service	45,027,599	39,613,666
Total Net Position	1,148,787,671	1,094,924,421
Total Liabilities and Net Position	$ 1,662,659,804	$ 1,632,223,189

See accompanying Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2023
(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
Revenues		
Operating revenues	$ 238,351,396	$ 224,134,477
Operating Expenses		
Operating and maintenance expenses	103,224,026	96,107,394
GASB 68 pension actuarial adjustment	(4,874,022)	(1,780,487)
GASB 75 OPEB actuarial adjustment	(4,811,907)	1,387,295
Depreciation and amortization	52,686,470	50,047,784
Water and fire service provided in lieu of taxes	22,092,526	21,016,197
Loss from sale and salvage of retired assets	1,512,652	421,950
Total Operating Expenses	169,829,745	167,200,133
Net Operating Revenue	68,521,651	56,934,344
Non-Operating Income (Expense)		
Interest income	7,738,805	1,634,625
Interest expense	(8,251,344)	(6,683,699)
Grant revenue	3,386,015	295,996
Grant expense	-	(193,719)
Net Non-Operating Income (Expense)	2,873,476	(4,946,797)
Net Income Before Distributions and Contributions	71,395,127	51,987,547
Distributions and Contributions		
Dividends	(28,580,363)	(22,438,542)
Contributions in aid of construction	11,048,486	16,078,639
Total Distributions and Contributions, Net	(17,531,877)	(6,359,903)
Change in Net Position	53,863,250	45,627,644
Net Position, Beginning of Year	1,094,924,421	1,049,296,777
Net Position, End of Year	$ 1,148,787,671	$ 1,094,924,421

See accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS

Year ended December 31, 2023
(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
Cash Flows from Operating Activities		
Cash received from customers	$ 216,059,112	$ 205,969,515
Cash paid to suppliers and others	(63,122,648)	(67,470,527)
Cash paid to employees for services or benefits	(35,032,404)	(32,653,942)
Net Cash Provided by Operating Activities	117,904,060	105,845,046
Cash Flows from Non-capital Financing Activities		
Dividends paid to stockholder	(25,676,342)	(20,337,714)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of utility plant	(91,090,128)	(82,986,663)
Acquisition of non-utility property	(3,014,228)	(2,301,036)
Proceeds from 2022 series bonds	-	88,960,040
Grant funds	779,250	102,277
Contributions in aid of construction	126,068	201,595
Customer advances for construction	-	(294,111)
Preliminary engineering charges	(493,359)	(477,654)
Principal paid	(18,918,142)	(15,321,208)
Interest paid	(14,372,000)	(11,278,766)
Net Cash Used in Capital and Related Financing Activities	(126,982,539)	(23,395,526)
Cash Flows from Investing Activities		
Investment – purchases	(20,273,495)	(109,321,268)
Investment – maturities	37,811,000	29,520,000
Restricted cash reserves	(4,876,328)	2,929,480
Restricted, expendable bond accounts	14,412,540	(15,211,073)
Interest received	4,679,795	1,671,103
Net Cash Provided by (Used in) Investing Activities	31,753,512	(90,411,758)
Net Change in Cash	(3,001,309)	(28,299,952)
Cash, Beginning of Year	45,716,904	74,016,856
Cash, End of Year	$ 42,715,595	$ 45,716,904

(continued)

Year ended December 31, 2023
(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
Reconciliation of Net Operating Revenue to Net Cash Provided by Operating Activities		
Net operating revenue	$ 68,521,651	$ 56,934,344
Adjustments to reconcile net operating revenue to cash provided by operating activities		
Depreciation	51,404,056	49,705,378
Amortization	3,094,379	2,428,970
Loss from sale and salvage of retired assets	1,512,652	421,950
Changes in current assets and liabilities		
Accounts receivable	153,883	2,768,194
Materials and supplies	(2,105,083)	(1,824,592)
Other current assets	(26,541)	456,720
Accounts payable	4,478,145	(4,443,013)
Accounts payable, sewer collections	158,544	1,279,143
Customer deposits	(512,185)	(1,196,102)
Tax collections payable	172,726	40,511
Accrued vacation and sick leave	102,512	84,768
Accrued payroll	17,851	70,306
Net pension liability	(11,239,126)	6,062,439
Net OPEB liability/asset	(25,594,463)	(570,389)
Deferred outflows of resources – pension	(657,587)	324,451
Deferred outflows of resources – OPEB	3,354,739	3,500,299
Deferred inflows of resources – pension	7,022,691	(8,167,377)
Deferred inflows of resources – OPEB	17,427,817	(1,542,615)
Insurance reserve	617,399	(488,339)
Net Cash Provided by Operating Activities	$ 117,904,060	$ 105,845,046
Supplemental Information		
Non-cash capital and related financing activities		
Accrued utility plant acquisitions	$ 6,866,152	$ 7,112,337
Contributions in aid of construction	$ 13,647,780	$ 16,408,582
Refunding portion of new bonds	$ -	$ 44,895,000

See accompanying Notes to Financial Statements

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 163-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 $22 million were provided to Louisville Metro in lieu of taxes during the year ended December 31, 2023. The Company remitted $21,956,614 in dividends to Louisville Metro during Louisville Metro's fiscal year ended June 30, 2023.

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, 2022, 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.

Statement of Cash Flows: For purposes of the Statement 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 $6,866,152 and contributions in aid of construction of $13,647,780.

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

- 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). Adoption of this standard had no material impact on the Company's financial position or results of operations.
- 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 government end users. Adoption of this standard had no material impact on the Company's financial position or results of operations.
- 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. Adoption of these requirements of the standard had no material 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. 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.
- GASB Statement No. 102, "Certain Risk Disclosures". The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The GASB has issued the following statement, a portion of which is not yet required to be adopted, that the Company believes is not currently relevant to their operations and note disclosures.

- GASB Statements No. 99, "Omnibus 2022". The requirements of this statement 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.

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 Credit Losses: Accounts receivable are stated at the estimated amount management expects to collect from outstanding customer accounts. The allowance for credit losses 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 $10,763,278 was incurred during the year, of which $2,511,934 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 $51,404,056 for 2023 of which $1,811,965 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 $3,094,379 for 2023.

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 $16,013,451. The carrying value, stated net of depreciation, was $10,257,226 as of December 31, 2023.

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, 2023 were $2,668,552.

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 $2,660,623 at December 31, 2023. 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 $1,705,442 as of December 31, 2023.

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, 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 any unamortized deferred loss on refunding of debt and CERS pensi on and OPEB related unamortized balances. Deferred inflows of resources consist of the CERS pension and OPEB related unamortized balances and unamortized deferred gains on refunding of debt.

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, grant revenue, 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 2023 was $22,092,526.

Union Employees: The Company has employees who are covered by a collective bargaining agreement. At December 31, 2023, approximately 36% of the Company's full-time employees were covered by the collective bargaining agreement. The 5-year agreement currently in effect expires on February 29, 2028.

NOTE 2 – *ACCOUNTS RECEIVABLE*

Accounts receivable, net, as of December 31, 2023 includes:

Water	$ 10,128,338
Other	3,523,435
	13,651,773
Allowance for doubtful accounts	(986,425)
	$ 12,665,348

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 $1.5 million for 2023. 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 2023.

The Company has Bond and Capital-related accounts within cash and investments as of December 31, 2023 as follows:

Restricted, Expendable Bond Accounts:

Bond Service Accounts:	
Series 2015	$ 889,293
Series 2019	1,357,346
Series 2022	1,168,156
Total restricted, expendable bond service accounts	3,414,795
Total Restricted, Expendable Bond Accounts	$ 3,414,795

Restricted Reserves – Noncurrent Assets:

Bond Related Reserves:	
Bond reserve account	$ 18,263,597
Capital Related Reserves:	
Depreciation Fund	4,190,123
Infrastructure Replacement Reserve Fund	19,159,085
Total capital related reserves	23,349,208
Total Restricted Reserves – Noncurrent Assets	41,612,805
Total	$ 45,027,600

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, 2023, in addition to the reserve funds and the bond service account balances with trustees, as reflected in Note 3, the Company had $34,551,181 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, 2023 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	$ 21,678,392	0.13	Aaa
Total bond reserve and bond service	21,678,392		
Cash in bank – capital related reserves	23,349,208		
Total restricted reserves and restricted, expendable bond accounts	45,027,600		
Short-term liquid investments:			
U.S. Treasury securities	66,554,400	0.60	N/A
Unamortized discount	(1,641,283)		
Total short-term liquid investments	64,913,117		
Cash:			
Cash in bank	34,551,181		
Petty cash	4,296		
Checks outstanding and deposits in transit	8,160,118		
Cash and temporary investments	42,715,595		
Total cash and investments	$ 152,656,312		

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, 2023 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	$ 21,678,392	$ -	$ -	$ 21,678,392
U.S. Treasury Securities	-	-	-	-
Total	$ 21,678,392	$ -	$ -	$ 21,678,392

At December 31, 2023, 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 $64,913,117.

NOTE 6 – *UTILITY PLANT, NET*

The following is a schedule of utility plant for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, depreciable				
Buildings	$ 257,415,468	$ 13,461,755	$ (909,492)	$ 269,967,731
Machinery and equipment	146,030,368	5,641,620	(933,899)	150,738,089
Infrastructure	1,580,777,658	89,527,755	(7,253,990)	1,663,051,423
Total	1,984,223,494	108,631,130	(9,097,381)	2,083,757,243
Less accumulated depreciation for				
Buildings	(103,935,120)	(8,883,846)	139,825	(112,679,141)
Machinery and equipment	(88,365,839)	(11,371,719)	644,673	(99,092,885)
Infrastructure	(531,881,954)	(34,098,521)	4,442,193	(561,538,282)
Total	(724,182,913)	(54,354,086)	5,226,691	(773,310,308)
Capital assets, net	1,260,040,581	54,277,044	(3,870,690)	1,310,446,935
Capital assets not being depreciated				
Land	17,998,484	20,330	-	18,018,814
Construction in progress	124,845,804	128,502,706	(128,689,982)	124,658,528
Total	142,844,288	128,523,036	(128,689,982)	142,677,342
Utility plant, net	$ 1,402,884,869	$ 182,800,080	$ (132,560,672)	$ 1,453,124,277

Some project costs tracked in construction in progress as additions may ultimately be expensed during the year or when the project closes.

NOTE 7 – *LONG-TERM LIABILITIES*

Long-term liabilities at December 31, 2023, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 349,210,000	$ -	$ (18,820,000)	$ 330,390,000	$ 21,775,000	$ 308,615,000
KIA note payable	957,725	-	(98,143)	859,582	100,114	759,468
Unamortized debt premiums and discounts	27,552,040	-	(3,346,563)	24,205,477	-	24,205,477
Customer advances for construction	7,032	-	(7,032)	-	-	-
Net pension liability	87,737,958	-	(11,239,126)	76,498,832	-	76,498,832
Net OPEB liability	23,948,469	-	(23,948,469)	-	-	-
Total long-term liabilities	$ 489,413,224	$ -	$ (57,459,333)	$ 431,953,891	$ 21,875,114	$ 410,078,777

NOTE 8 – *BONDS AND NOTES PAYABLE*

Bonds and notes payable (without bond premium or discounts) consisted of the following at December 31, 2023:

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	$ 89,135,000
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	119,580,000
Water System Revenue Bonds, 2022 tax exempt, fixed interest rates ranging from 3.875% to 5.0% with maturities from 2023 through 2042	121,675,000
Total bonds payable (publicly traded)	330,390,000
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 $74,881	859,582
Total bonds and notes payable	331,249,582
Less current portion	21,875,114
Bonds and notes payable, less current portion	$ 309,374,468

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, 2023, are as follows:

	Principal	Interest	Total
Year ended December 31			
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	22,266,274	10,328,854	32,595,128
2028	22,393,410	9,355,917	31,749,327
2029-2033	103,278,477	32,768,926	136,047,403
2034-2038	83,640,000	14,457,835	98,097,835
2039-2042	33,545,000	2,932,213	36,477,213
	$ 331,249,582	$ 106,912,256	$ 438,161,838

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 2023 dividend computed under this provision was $28,580,363, resulting in an underpayment of $6,349,851 which will be added to the 2024 dividend payments. The underpayment is included in accounts payable.

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 $22,500, 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 plan was amended effective July 1, 2023 to establish separate maximum Company contribution amounts for employees in each of the three tiers of the County Employee Retirement System (CERS) pension plan (see Note 11 for information regarding the CERS pension plan). For employees in all three CERS tiers, the Company contributes $0.60 for every $1.00 of an employee's contribution. However, the maximum Company contribution for employees in each tier is as follows: Tier One - $500; Tier Two - $625; Tier Three - $1,500. The amount contributed to the plan by the Company and charged to expense was $201,174 for the year ended December 31, 2023.

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 $22,500, 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, 2023, participating employers contributed 26.79% (23.40% allocated to pension and 3.39% 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, 2023. Total contributions for the year were $7,980,779 for pension and $1,156,190 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, 2022. An expected TPL was determined at June 30, 2023 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	6.50%, 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 6.50%, an increase from 6.25% used in 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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income:		
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected:		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 8.25% 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 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability - Non-hazardous	$ 96,584,398	$ 76,498,832	$ 59,806,973

Employer's Portion of the Collective Net Pension Liability: The Company's proportionate share of the NPL, as indicated in the prior table, is $76,498,832 or approximately 1.19%. The NPL was distributed based on 2022 actual employer contributions to the plan. The Company's previous year's proportionate share of the NPL was approximately 1.21%.

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, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023 using generally accepted actuarial principles.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there were changes in assumptions and benefit terms. See required supplementary information.

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 $3,122,443 related to the CERS for the year ending June 30, 2023.

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	$ 3,960,197	$ 207,869
Change of assumptions	-	7,011,171
Changes in proportion and differences between employer contributions and proportionate shares of contributions	60,052	2,534,984
Differences between expected and actual investment earnings on plan investments	-	1,043,485
	4,020,249	10,797,509
Contributions subsequent to the measurement date	3,905,523	-
Total	$ 7,925,772	$ 10,797,509

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $3,905,523 will be recognized as a reduction of NPL in the year ending December 31, 2024. 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:	
2024	$ (4,357,539)
2025	(3,386,904)
2026	1,707,764
2027	(740,581)
	$ (6,777,260)

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, 2022. An expected total OPEB liability was determined at June 30, 2023 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

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

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

Discount rate assumptions:

(a) Discount Rate: The discount rate used to measure the total OPEB liability was 5.93%, which increased from the prior year rate of 5.70%.

(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 3.86% as reported in Fidelity Index's "20—Year Municipal GO AA Index" as of June 30, 2023. 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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income:		
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected:		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 8.25% 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 5.93%, 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 (4.93%) or 1-percentage-point higher (6.93%) than the current rate for non-hazardous:

	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
Net OPEB (asset) liability	$ 3,088,900	$ (1,645,994)	$ (5,610,890)

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 (asset) liability	$ (5,275,697)	$ (1,645,994)	$ 2,812,755

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 $(1,645,994), or approximately 1.19%. The net OPEB liability was distributed based on 2023 actual employer contributions to the plan. The Company's previous year's proportionate share of the net OPEB liability was approximately 1.21%.

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, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there were changes in assumptions and benefit terms. See required supplementary information.

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 $(3,507,978) related to the CERS for the year ending June 30, 2023.

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	$ 1,147,507	$ 23,371,469
Change of assumptions	3,239,201	2,257,398
Changes in proportion and differences between employer contributions and proportionate shares of contributions	228,759	1,361,052
Differences between expected and actual investment earnings on plan investments	-	382,005
	4,615,467	27,371,924
Contributions subsequent to the measurement date	1,102,370	-
Total	$ 5,717,837	$ 27,371,924

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $1,102,370, which includes the implicit subsidy reported of $536,570, will be recognized as a reduction of net OPEB liability in the year ending December 31, 2024. 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:	
2024	$ (5,713,618)
2025	(6,959,335)
2026	(5,486,517)
2027	(4,596,987)
	$ (22,756,457)

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:

	2023	2022
Liability – beginning of year	$ 1,887,679	$ 2,376,018
Accruals for current year claims and changes in estimate	1,333,478	256,207
Claims paid	(716,079)	(744,546)
Liability – end of year	$ 2,505,078	$ 1,887,679

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 $63.8 million at December 31, 2023.

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

For the last 10 years

	2023	2022	2021
Company's proportion of the net pension liability	1.19%	1.21%	1.28%
Company's proportionate share of the net pension liability	$ 76,498,832	$ 87,737,958	$ 81,675,519
Company's covered payroll	$ 34,607,213	$ 32,935,091	$ 32,541,243
Company's proportionate share of the net pension liability as a percentage of its covered payroll	221.05%	266.40%	250.99%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%

Notes:

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

(continued)

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

For the last 10 years

	2020	2019	2018
Company's proportion of the net pension liability	1.25%	1.26%	1.27%
Company's proportionate share of the net pension liability	$ 95,654,375	$ 88,788,390	$ 77,085,962
Company's covered payroll	$ 31,946,178	$ 31,845,498	$ 31,370,897
Company's proportionate share of the net pension liability as a percentage of its covered payroll	299.42%	278.81%	245.72%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%

Notes:

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

For the last 10 years

	2017	2016	2015
Company's proportion of the net pension liability	1.24%	1.19%	1.28%
Company's proportionate share of the net pension liability	$ 72,516,743	$ 58,797,619	$ 55,122,691
Company's covered payroll	$ 29,830,808	$ 28,494,478	$ 29,911,208
Company's proportionate share of the net pension liability as a percentage of its covered payroll	243.09%	206.35%	184.29%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%

Notes:

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

(continued)

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

For the last 10 years

	2014
Company's proportion of the net pension liability	1.25%
Company's proportionate share of the net pension liability	$ 40,419,796
Company's covered payroll	$ 29,126,777
Company's proportionate share of the net pension liability as a percentage of its covered payroll	138.77%
Plan fiduciary net position as a percentage of the total pension liability	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.*

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

For the last 10 years

	2023	2022	2021
Company's proportion of the net OPEB liability	1.19%	1.21%	1.28%
Company's proportionate share of the net OPEB liability	$ (1,645,994)	$ 23,948,469	$ 24,518,858
Company's covered payroll	$ 34,607,213	$ 32,935,091	$ 32,541,243
Company's proportionate share of the net OPEB liability as a percentage of its covered payroll	(4.76%)	72.71%	75.35%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%

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

For the last 10 years

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

Notes:

1) *The amounts presented for each fiscal year were determined as of the June 30 year-end that occurred within the fiscal year.*
2) *GASB 75 requires this schedule to show information for 10 years. However, until a full 10-year trend is compiled, the Company is presenting information for those years for which information is available.*

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

For the last 10 years

	2023	2022	2021	2020	2019
Statutorily required contribution	$ 7,980,779	$ 7,760,752	$ 7,059,687	$ 6,481,652	$ 5,651,953
Contributions in relation to the statutorily required contribution	(7,980,779)	(7,760,752)	(7,059,687)	(6,481,652)	(5,651,953)
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	$ 32,215,632	$ 33,053,390	$ 33,449,857	$ 32,757,355	$ 32,166,042
Contributions as a percentage of its covered payroll	24.77%	23.48%	21.11%	19.79%	17.57%

(continued)

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

For the last 10 years

	2018	2017	2016	2015	2014
Statutorily required contribution	$ 4,994,870	$ 4,402,741	$ 3,848,753	$ 3,680,646	$ 3,907,026
Contributions in relation to the statutorily required contribution	(4,994,870)	(4,402,741)	(3,848,753)	(3,680,646)	(3,907,026)
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Company's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%
Company's covered payroll	$ 31,805,010	$ 30,405,336	$ 29,125,528	$ 29,787,416	$ 9,411,439
Contributions as a percentage of its covered payroll	15.70%	14.48%	13.21%	12.36%	13.28%

(continued)

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

December 31, 2023

Changes in Assumptions and Benefit Terms:

2023: 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 rate of inflation was increased from 2.30% to 2.50%.
- The assumed investment rate of return was increased from 6.25% to 6.50%.
- The assumed Short-Service Salary Increase rate was increased for members with four to seven years of service from a range of 4.80%-4.30% to a range of 5.30%-4.55%.
- The assumed Cash Balance Interest Credit was increased to 6.50%.
- The Mortality Table was changed to the 2023 Public Retirees of Kentucky Mortality Table (2023 PRK).
- The assumed rates of Termination and Disability were updated to more accurately reflect experience.

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 rate of inflation was reduced from 3.25% to 2.30%.
- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- 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%.

(continued)

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

December 31, 2023

Changes in Assumptions and Benefit Terms:

- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

For the last 10 years

	2023	2022	2021
Statutorily required contribution	$ 1,156,190	$ 1,420,647	$ 1,741,146
Contributions in relation to the statutorily required contribution	(1,156,190)	(1,420,647)	(1,741,146)
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	$ 32,215,632	$ 33,053,390	$ 33,449,857
Contributions as a percentage of its covered payroll	3.59%	4.30%	5.21%

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

For the last 10 years

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

(continued)

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

December 31, 2023

Changes in Assumptions and Benefit Terms:

2023: 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 5.70% to 5.93%.
- The assumed rate of inflation was increased from 2.30% to 2.50%.
- The assumed investment rate of return was increased from 6.25% to 6.50%.
- The assumed Short-Service Salary Increase rate was increased for members with four to seven years of service from a range of 4.80%-4.30% to a range of 5.30%-4.55%.
- The assumed Cash Balance Interest Credit was increased to 6.50%.
- The Mortality Table was changed to the 2023 Public Retirees of Kentucky Mortality Table (2023 PRK).
- The assumed rates of Termination and Disability were updated to more accurately reflect experience.

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, 2023

	Yield	Maturity	Cost
Bond Reserve and Service Accounts			
Treasury Obligation Fund (FOCXX)	4.980%	01/31/24	$ 21,678,392
Short-term Liquid Investments			
US Treasury Note	4.561%	03/15/24	$ 4,909,837
US Treasury Note	4.434%	06/15/24	18,629,455
US Treasury Note	4.282%	09/15/24	21,378,793
US Treasury Note	5.128%	12/15/24	19,995,032
			$ 64,913,117

SUMMARIZED SCHEDULE OF BOND ISSUES

December 31, 2023

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

December 31,2023

	2022 Bonds		
Year ending December 31	Principal Installments	Interest	Aggregate Bond Service
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
	$ 121,675,000	$ 51,903,975	$ 173,578,975

(continued)

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31,2023

	2019 Bonds		
Year ending December 31	Principal Installments	Interest	Aggregate Bond Service
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
	$ 119,580,000	$ 35,999,263	$ 155,579,263

(continued)

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31,2023

	2015 Bonds		Aggregate Bond Service
Year ending December 31	Principal Installments	Interest	
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
	$ 89,135,000	$ 18,934,136	$ 108,069,136

(continued)

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31,2023

	KIA Note		Aggregate Bond Service
Year ending December 31	Principal Installments	Interest	
2024	$ 100,114	$ 16,694	$ 116,808
2025	102,127	14,681	116,808
2026	104,179	12,629	116,808
2027	106,273	10,535	116,808
2028	108,410	8,398	116,808
2029	110,589	6,219	116,808
2030	112,811	3,997	116,808
2031	115,079	1,729	116,808
	$ 859,582	$ 74,882	$ 934,464

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Year ended December 31, 2023

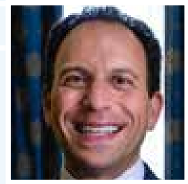
Operating and maintenance expenses for year ended December 31, 2023	
Pumping	$ 9,595,175
Water Treatment	14,593,974
Transmission and distribution	18,152,397
Customer accounts expenses	10,464,604
Administrative and general expenses	47,352,734
Operating expenses over (under) applied	3,065,142
Total operating and maintenance expenses	$ 103,224,026

CORPORATE INFORMATION

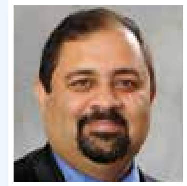
BOARD OF WATER WORKS

As of December 31, 2023

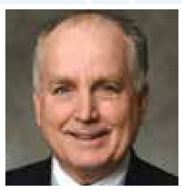
The Board of Water Works is the governing body of Louisville Water Company. It includes six members appointed by the Mayor of Louisville Metro, who also serves as an ex officio member. No more than three of the appointed members may be from the same political party. Board members serve staggered four-year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



CRAIG GREENBERG
Mayor, Louisville Metro (ex officio)

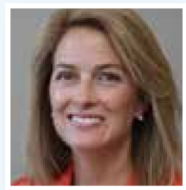


DR. SUNDEEP DRONAWAT
Chair, Chief Executive Officer, Fetal Life Inc., President, Samiteon LLC

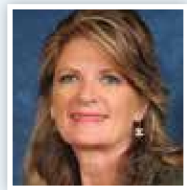


PAUL ESSELMAN
Vice Chair, Chief Financial Officer, Mint Julep Experiences

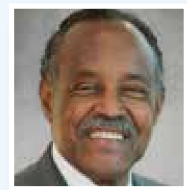
CATHE DYKSTRA
Chief Possibility Officer, President & CEO of Family Scholar House



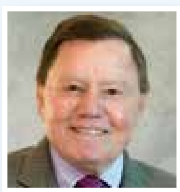
JENNIFER FUST-RUTHERFORD
Community Foundation of Louisville Director of Gift Planning



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



WILLIAM E. SUMMERS IV
Former Louisville Metro Deputy Mayor



GREG DEARING - Former President of Louisville Retired Firefighters Association

Dearing left the Board of Water Works in fall 2023, after serving three years on the Board. We thank him for his service and support of Louisville Water.

EXECUTIVE LEADERSHIP TEAM

As of December 31, 2023

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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