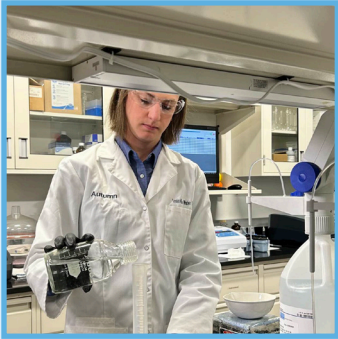


# INVESTING IN THE FUTURE



2025  
ANNUAL REPORT













# AT A GLANCE

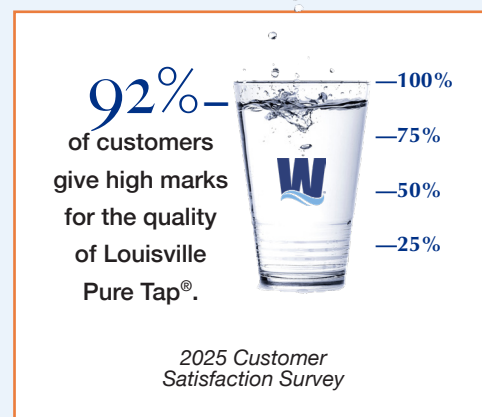


## FRESH FROM THE FAUCET

There's no place like home, especially when it comes to your drinking water. It's a necessity for public health, a founding reason why Louisville Water began operations in 1860. Established as Kentucky's first public water provider, today we are the state's largest drinking water utility. Nearly a million people count on us every day to deliver reliable, high-quality drinking water to Louisville Metro and parts of Bullitt, Hardin, Nelson, Oldham, Shelby, and Spencer counties. We know what our customers expect, so we take great pride in the exceptional quality and taste of Louisville Pure Tap®!

## BY THE NUMBERS

	<b>138 million gallons</b> of Louisville Pure Tap delivered every day
	<b>0</b> water quality violations (19 consecutive years)
	<b>4,325 miles</b> of water main (includes 14 miles of new main)
	<b>57,762</b> valves
	<b>25,350</b> fire hydrants
	<b>653</b> water main breaks
	<b>34.5 billion gallons</b> sold
	<b>\$237.9 million</b> in water sales
	<b>\$29.37</b> average residential monthly bill for 4,000 gallons
	<b>545,500</b> people reached through education and outreach



## CONTENTS

President's Message.....	1
2025 Highlights.....	2
Financial Viability.....	16
Independent Auditor's Report.....	22
Management's Discussion and Analysis.....	24
Financial Statements.....	30
Supplementary Information.....	52
Corporate Information.....	Inside Back Cover

*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



2025 marked a year of milestones and achievements for Louisville Water Company.

While we celebrated 165 years of producing and delivering high-quality drinking water, we continued leading with a vision for the future. To guide us, we successfully developed the 2026-2030 Strategic Business Plan. We incorporated employee and stakeholder input to outline seven priorities with strategies, projects, and metrics. Our mission holds true to our core—provide the highest quality water, service, and fire protection to our customers and the community through dedicated employees.

In this report, you will see how Louisville Water overcame many challenges to meet or exceed most of our goals and forged ahead with several large projects to keep Louisville Pure® Tap flowing into the next century.

We started the year with a brutal winter and a record number of water main breaks.

Despite the financial impact from those breaks and repairs, I'm pleased to share that we were under budget by approximately \$800,000 in our Operations and Maintenance expenses which then allowed us to make a second donation to the Louisville Water Foundation to support affordability. This is a perfect example of how strategic financial planning is critical to our success.

A resounding testament of Louisville Water's financial stability came in August with the largest bonds sale in the Company's history. That came on the heels of an expanded wholesale partnership that will bring an additional water supply to Nelson County and Bardstown. Also, in 2025, we made significant progress with our efforts to identify and replace customers' lead or galvanized service lines at no cost to them. We strengthened relationships with key community partners and last but not least, survey results showed that most employees feel valued and respected at Louisville Water.

The work we're doing today to invest in our processes, our infrastructure, our employees, and our communities will ensure a strong future for generations to come.

Sincerely,

A handwritten signature in blue ink that reads "Spencer Bruce". The signature is fluid and cursive, written in a professional style.

Spencer W. Bruce, PE  
President and CEO

# WATER QUALITY

## SUPERIOR STANDARDS

Louisville Water's commitment to public health is reflected with zero water quality violations for the 19th straight year.

Widely known for producing and delivering high-quality drinking water, Louisville Water's adherence to superior standards shined at the American Water Works Association's Annual Conference Expo.

The Partnership for Safe Water recognized the Crescent Hill Water Treatment Plant for maintaining the Excellence in Water Treatment Award for 10 consecutive years. It is one of 19 plants in the country to achieve this prestigious award level. Crescent Hill and the B.E. Payne Treatment Plant also received the 25-year Directors Award.

Another proof of the commitment came as the Environmental Protection Agency (EPA) conducted a Safe Drinking Water Act compliance inspection of our facilities. The EPA reviewed our Risk and Resiliency Assessment and Emergency Response Plan, various compliance programs, record-keeping, and general operations. The agency reported no violations or deficiencies.

## PRIORITIZING SAFETY

Continuous research, enhanced monitoring, and collaboration with stakeholders surrounding the Ohio River basin culminated in a better understanding of the complex subject of per- and polyfluoroalkyl substances or PFAS. The man-made chemicals have been used in industry and consumer products since the 1940s.

The EPA created drinking water standards for six PFAS compounds in 2024. Louisville Water meets these standards, but we continuously look at how we can lower the levels.

We have actively tested for PFAS for more than a decade. While Louisville's tap water is not the source of PFAS pollution, we consider it paramount to invest in monitoring and treatment technologies to protect our water.

Years of research identified powdered activated carbon (PAC) as the most practical method to effectively remove PFAS and other organic matter from the water. Louisville Water has worked meticulously to develop effective PAC treatment strategies to improve water quality, further minimize risks, and achieve more stringent standards than those set by the EPA. We used our findings to advise the EPA, Kentucky Division of Water, and American Water Works Association to help develop guidance for water systems using PAC treatment methods.

The addition of a PAC storage and delivery system in 2027 at the Crescent Hill Water Treatment Plant will amplify our ability to manage and treat PFAS.

## MEETING THE DEMAND

A hot, dry summer combined with customers heeding the advice to drip their faucets during a series of cold snaps later in the year increased the demand for water. Production volume rose 9.8% above the five-year average. We pumped an average of 138 million gallons of Louisville Pure Tap® every day.



Supervisor of Water Quality and Compliance Autumn Gibson and Scientist 1 Ben Ferguson working in the lab



We enhanced PFAS monitoring at both water treatment plants

Six separate taste and odor events in 2025 created challenges for the operations and water quality teams. PAC proved to be an invaluable and effective treatment, but it came with its own set of challenges in terms of maintaining a sufficient supply to support daily demand. Nearly all the \$2.3 million spent on PAC in 2025 occurred in July through December.

The valiant efforts were successful with minimal customer impact. It's impressive that Louisville Water only received 40 treatment-related customer complaints throughout the taste and odor events, meeting our corporate goals.

Customer satisfaction soared to an all-time high in terms of quality. A survey showed 88% of those polled are satisfied with their drinking water. Customers also gave high marks for reliable service.

## UNITED RESPONSE

November 4, 2025 is a night when tragedy struck our community. UPS Flight #2976 crashed shortly after taking off at Louisville Muhammad Ali International Airport killing 15 people and creating a potential environmental crisis.

Louisville Water teams managed through a shelter-in-place order that included the Allmond Avenue Distribution Facility. In the days and weeks that followed, employees collected water samples to ensure optimal quality and worked with the Kentucky Division of Water to issue a precautionary Consumer Advisory Notice for a few dozen commercial customers in the impact zone. Our team also inspected water mains, pipes, and fire hydrants. Amazingly, every hydrant in the crash zone remained intact.

An assessment following the crash prompted engineers to begin a plan to replace water mains in that area. It's part of a \$7 million project which is eligible for reimbursement.

## ELIMINATING PRIVATE LEAD LINES

Louisville's drinking water does not contain lead when it leaves our treatment plants. The risk of lead tainting the drinking water comes from pipes and plumbing made of lead.

Louisville Water's extensive efforts to identify and replace customers' private lead and galvanized steel service lines for free gained momentum when we implemented our Find and Fix program.

With an inventory of nearly 50,000 private service lines of unknown material, Louisville Water launched a comprehensive communications and inspection plan aimed at reducing that number.

- The team mailed nearly 49,000 regulatory letters beginning in the summer to customers with either "unknown" or known lead or galvanized steel service lines. Additional postcards notified specific customers with an unknown service line of planned work by contractors to identify their pipe material.
- A dedicated webpage, [LouisvilleWater.com/inventory](https://LouisvilleWater.com/inventory), provided information about the service line materials identification and replacement program, helpful videos, a customer look-



- 89% customers feel their water is safe
- 83% highlighted the taste of Pure Tap

\*2025 Customer Satisfaction Survey



Team collected water samples inside plane crash zone



Find and Fix program launched to identify private unknown service lines

*(Water Quality continued)*

up tool with our records about their property, and photos of the contractors.

- ID badges, Louisville Water logoed apparel, and vehicle magnets verified approved contractors for customer assurance.

A \$32 million state-revolving loan (all but \$10 million is forgivable) allowed our Find and Fix program to start and let contractors, including some Louisville Water retirees, get to work. They primarily started in neighborhoods in west Louisville where they identified the material of thousands of private service lines and replaced a little over 100 lines. By the end of 2025, the number of unknown water service lines dropped to slightly more than 46,000. Altogether, we have replaced more than 1,100 private service lines since 2020.

Additionally, Louisville Water initiated outreach to licensed school and childcare centers and began water sampling at facilities.

**MEETING OF THE MINDS**

Louisville welcomed experts in the water sector at two conferences in December.

More than 100 water professionals gathered at the Partnership for Safe Water (PSW) Summit as it celebrated 30 years. Several Louisville Water employees presented at the summit including Manager of Water Quality and Compliance and PSW Chair Chris Bobay. Our employees highlighted source water protection, managing water quality in the distribution system, and the importance of forming strategic partnerships and community relationships to strengthen public trust. Guests also toured the Crescent Hill Water Treatment Plant and the historic Louisville Water Tower.

Overlapping with the PSW Summit, the North American Water Loss Conference explored how utilities can minimize the amount of water that’s “lost” because of leaks and aging infrastructure. Louisville Water shared how we are implementing a comprehensive initiative to survey our infrastructure using leak technicians, satellite technology, and acoustic sensors to identify sources of water loss. **W**



Partnership for Safe Water Summit celebrated 30 years

# INFRASTRUCTURE INVESTMENTS

In 2025, Louisville Water implemented the largest annual capital program in the Company’s history. Expenditures neared \$180.7 million, with the largest share of the capital budget committed to the upkeep and expansion of our infrastructure. This includes the water mains, pumping stations, and treatment facilities that guarantee consistent service to nearly a million people. We added 14 miles of water mains to our system in 2025 while reaching milestones on several notable projects.

**RESIDUAL LINE PROJECT**

A complex pipe installation along a historic highway, River Road, presented large impacts to the community with traffic and access. In just over eight months, crews installed thousands of feet of pipe, finishing this portion of the Residual Line Project well ahead of schedule.

The residual line is the pipeline that takes the byproducts from the Crescent Hill Water Treatment Plant (the oldest and largest drinking water plant in the state) to lagoons at our B. E. Payne Water Treatment Plant in Prospect. This system is critical to daily water production at Crescent Hill. The current line built in 1971 is reaching the end of its useful life, and we are installing two new lines for increased redundancy. The project runs along Reservoir Avenue from the Crescent Hill plant down Zorn Avenue, along River Road from Zorn Avenue to Transylvania Avenue, and along Transylvania Avenue to the B.E. Payne Plant.

On River Road alone, we installed 3,080 pieces of pipe, which included going under two creeks. Louisville Water also dug 5.8 miles of trench and poured 15,000 tons of quick-dry concrete on the River Road portion of the project to open sections of the roadway sooner. Restoration work and construction at the Crescent Hill Water Treatment Plant continued into 2026.

**RESERVOIR RELINING PROJECT**

In the summer of 2025, Louisville Water began a multi-year project to preserve the Crescent Hill Reservoir. Built in 1879, it underwent significant repairs in the late 1990s and early 2000s, including the installation of heavy-duty liners. Louisville Water is now working to replace the liners, improve the sidewalk, and address the aging railing around the reservoir to make sure it meets today’s safety standards.

The reservoir includes two basins: the north basin, which is closest to Mary T. Meagher Aquatic Center and the Crescent Hill Golf Course, and the south basin, which is closer to Frankfort Avenue. We drained the entire north basin in the summer of 2025. Toward the end of the year, our contractor set up a conveyor system to make sediment removal faster and more efficient. Each basin will take approximately two years to complete.

**CRESCENT HILL PROJECTS**

Construction continued for a new back-up pumping station at the Crescent Hill Water Treatment Plant that links the discharge pumps to the distribution system, as certain sections of this network are around 100 years old.

Another project at Crescent Hill focuses on upgrading our powdered activated carbon system. This work will improve storage capacity, reliability, and introduce redundant feed lines. Planning in 2025 paved the way for construction to start in 2026 with expected completion in 2027.

**OAK STREET PROJECT**

Louisville Water launched a large multi-year project in July 2024 to replace a 130-year-old, 48-inch transmission main along Oak Street. To minimize disruption to neighborhoods during the first phase of the project, we used sliplining—installing a smaller pipe inside the larger main.

The second phase in 2025 involved open cuts in the roadway to replace the old pipes and ongoing coordination with other utilities, businesses, and residents.

During the work, customers did not lose water service and local traffic access remained for residents and businesses impacted by road closures and detours. In all, we installed more than 5,000 feet of pipe by the end of 2025. Ultimately, the larger transmission main will supply ample high-quality water to our customers in the southern part of Jefferson County.

**RISK MANAGEMENT**

Louisville Water continued to strengthen its overall risk management posture with a series of critical assessments of our facilities and security processes. Action steps included adding an Emergency Preparedness and Resiliency Coordinator and Safety Specialist to the risk management team and improving visitor/contractor access.

- We also expanded our emergency notification capabilities with new radios and system tests across Louisville Water’s primary locations.
- We passed our regulatory inspection with zero violations and achieved 100% completion of employee security training.
- We certified our emergency response plan with the EPA, and we recertified our 2025 Risk & Resiliency Assessment. **W**

**Louisville Water elevated its communication efforts about our large construction projects. The Residual Line Project, the Reservoir Relining Project, and the Oak Street Project each have a designated webpage and newsletter with ongoing updates about the progress.**



- Two water treatment plants
- 31 water storage tanks
- More than 4,300 miles of water mains in Louisville



We launched a multi-year project to replace the Crescent Hill Reservoir liners



Louisville Water installed two residual lines on River Road well ahead of schedule



Crews are replacing a 130-year-old, 48” transmission main along Oak Street

# CUSTOMERS AND STAKEHOLDERS

Louisville Water improved the customer experience in 2025 by enhancing existing programs and reaching historical milestones.

## HELLO, MONTHLY BILLING!

Years of hard work involving a long list of employees in multiple departments culminated in August 2025 inside the metering shop garage at our Allmond Avenue facility. With one click, an employee uploaded the final batch of bi-monthly water bills, finalizing the conversion to monthly billing for all customers for the first time since before World War II. The click also signified the nearly complete (more than 98% of Jefferson County customers) implementation of Advanced Metering Infrastructure (AMI).

Because AMI sends data to Louisville Water digitally, it offers several benefits for customers, including near real-time usage information through the Pure Connect<sup>SM</sup> online customer portal and proactive alerts signaling possible leaks in home plumbing.

AMI also offers several benefits for Louisville Water operations. The call center has more information at their fingertips to help diagnose customer issues. Estimated bills and truck rolls (the times we need to send an employee for an on-site inspection, verification, or to start or stop service) decreased dramatically. The number of estimated bills fell from 0.76% in January 2024 to 0.26% in January 2026. And throughout 2025, AMI eliminated about 1,500 truck rolls per month.

## IMPROVED PROCESSES FOR CUSTOMER INTERACTIONS

In September, we launched an improved version of Pure Connect<sup>SM</sup>. The redesign made it easier for customers to manage accounts with new features like a digital wallet, the option to add users to an account, and to make payments for multiple accounts at the same time. Pure Connect now has more than 100,000 registered users, including more than 13,000 AutoPay enrollments and more than 25,000 paperless billing enrollments.

Louisville Water also provided new ways for customers to pay their bills. In 2025, we partnered with various retail stores to accept payments including Scan-to-Pay, which lets customers scan a barcode and pay with cash. With other options such as Venmo, PayPal, Google Pay, and Apple Pay, customers now have several convenient ways to pay their bill.

In the call center, we continued to enhance our automated phone system, which we've coined IVA Marie, the company's first Interactive Virtual Assistant. It uses large language models and natural language understanding to interact with customers. We debuted the technology in late 2024 and by the end of 2025, IVA Marie had improved customer phone interactions. A new feature included the ability to authenticate callers using data from Louisville Water's Customer Care & Billing database. Once an account is authenti-

cated, IVA Marie informs the caller of important notifications such as a past-due amount. Another new feature gave the system the ability to analyze the intent of a customer's call and perform an action based on that information—reading the last payment made, for example, or providing tips for preventing leaks.

IVA Marie answered more than one million calls in 2025, of which our customer care center answered 275,000 calls. Overall, we saw great improvement in our customer service metrics, including 184 seconds for the average response time (compared to 462 seconds for 2024) and 6.7% for the abandonment rate compared to 13.6% the prior year.

## SUPPORTING CUSTOMERS WITH DROPS OF KINDNESS<sup>SM</sup>



*Drops of Kindness*

Through the Drops of Kindness program, Louisville Water and Louisville MSD maintained our commitment to help customers who face financial difficulties. In 2025, Louisville Water donated \$2,250,000 to the Louisville Water Foundation, which administers the program and collaborates with community organizations across the three counties in our service area. In turn, these organizations provide support to hundreds of customers in need of assistance with their water and wastewater bills.

Drops of Kindness has an updated look, website, and communications plan to ensure customers know about the support they can receive through the Foundation, Louisville Water, and MSD.

## MEETING WEATHER-RELATED CHALLENGES

A winter storm in January 2025 brought a big blast of arctic air. A long stretch of days that never climbed above freezing contributed to the fourth largest number of main breaks in 30 years (216 in January and 62 in February for a total of 278). Crews worked long hours to make timely repairs in single-digit temperatures with wind chills below zero.

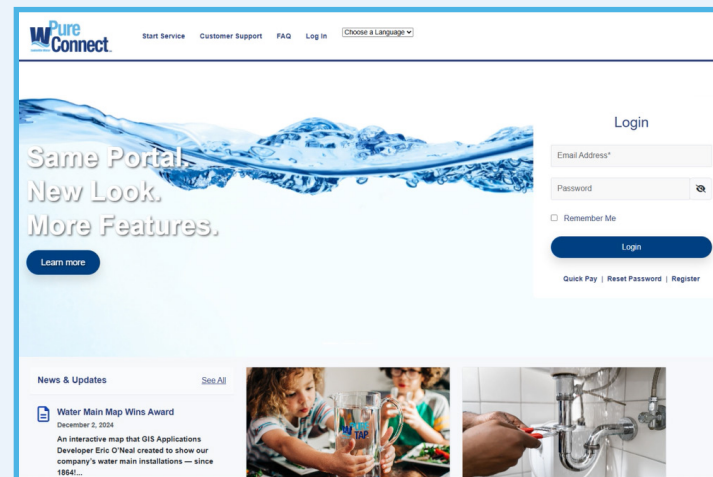
Meanwhile, the combination of main breaks and customers heeding advice to run a trickle of cold water from their faucets kicked water production into high gear. Still, plant operators overcame the challenges of maintaining efficient water production during abnormally cold weather and without significant customer issues.

Then in April, Louisville experienced the worst Ohio River flooding in 28 years. We made a few adjustments to operations, including implementing protocols for higher turbidity (cloudiness or haziness) in the Ohio River, and we paused River Road construction for the Residual Line Project.

We also kept a crew at the Zorn Avenue pumping station to maintain equipment and monitor operations. Louisville Fire and Rescue helped transport the crew members in and out of the pumping



*Employees watched as the metering department clicked to upload the final batch of bi-monthly water bills*



*Metering Specialist Bill Hartlage worked to locate the water meter buried under ice*



*Crews worked long hours during the winter in single-digit temperatures*

(Customers and Stakeholders continued)

station by boat to cover 24-hour shifts. Thanks to their dedication and to the hard work of employees throughout the company, customers received the same high-quality water we always supply with no interruptions in our service area as the waters rose, covering large areas of the pumping station property. The river crested on April 9 at just under 37 feet. **W**



Spring brought the worst Ohio River flooding in 28 years

# BUSINESS TRANSFORMATION

## CROSS-COUNTY PARTNERSHIPS

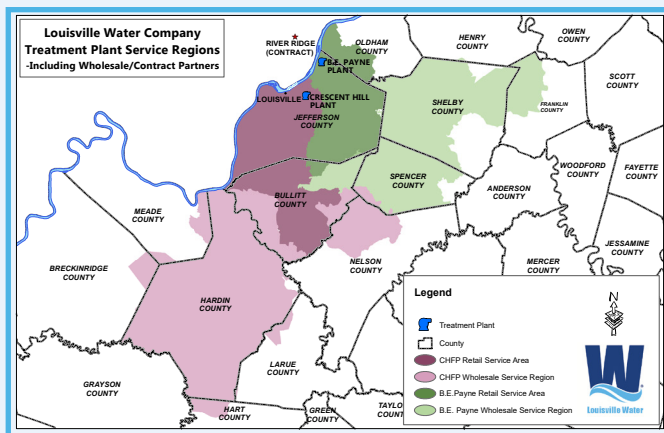
Louisville Water continued our alliance with our nine wholesale partners, collaborating to improve regional economic development and growth. In 2025, wholesale water sales were 14% over 2024 and 20% over the last 5-year average.

An example of that collaboration kicked off in 2025 as Louisville Water, North Nelson Water District, and the City of Bardstow started work to install a 24-inch water transmission system along Highway 245 from Clermont to Bardstown. This infrastructure will supply additional water to North Nelson Water District and connect Louisville Water's supply to Bardstown by sending water through North Nelson Water District. The additional water supplies allow the region to continue its rapid economic growth and provide critical resiliency to existing water facilities in Nelson County. Construction of the new transmission system is slated for completion in November 2026. The Nelson County work is part of a \$106 million investment for the I-65 corridor that also includes projects in Hardin, Bullitt, and Nelson counties.



Water Grows KY

Louisville Water continued water system management and operations of the water supply system in the River Ridge Commerce Center under contract to River Ridge Development Authority. Growth at River Ridge continues to be substantial with Canadian Solar and Meta's Data Center slated to come online in late 2026. These facilities will nearly double daily water demands and challenge the capacity of the water treatment plant, which recently expanded to six million gallons per day (GPD). As a result, a second six-million GPD water treatment plant is under construction and slated for completion at the end of 2026.



## DIGITAL INNOVATION STRATEGY

As part of its broader business transformation, Louisville Water developed its first digital innovation strategy through a collaborative, cross-department initiative. The strategy provides a shared framework for how technology can support business goals and improve decision-making across the organization.

This approach emphasizes alignment, governance, and intentional investment to ensure digital initiatives deliver meaningful business value. By establishing a clear strategic direction, Louisville Water is better positioned to modernize responsibly and adapt as organizational and customer needs evolve.

## HELPING CUSTOMERS MANAGE WATER LEAKS

More customers signed up to protect themselves from unexpected costs from a water leak. Louisville Water's WaterPro Water Leak Protection Plan<sup>SM</sup> covers the excess water and wastewater charges from a qualified leak. Small leaks in home plumbing can accumulate rapidly, potentially costing hundreds or even thousands of dollars. To give customers peace of mind, we launched WaterPro as an optional product in fall 2024.

The first water leak protection plan designed and provided by a public water utility, WaterPro costs \$3 a month and covers excess water and wastewater charges up to \$3,000 due to a qualified leak. Sharing the program's benefits on [LouisvilleWater.com](http://LouisvilleWater.com), our social media channels, and in our newsletters, the number of participants rose from roughly 1,600 in 2024 to more than 4,000 at the end of 2025. **W**



A regional partnership expanded water access in Nelson County



Bardstown Mayor Dick Heaton, Nelson County Judge Executive Tim Hutchins, Louisville Water President and CEO Spencer Bruce



Construction underway for a new water treatment plant at River Ridge Commerce Center in Jeffersonville, IN

## EMPLOYER OF CHOICE

### CHEERS TO 165 YEARS!

From pumping water to 512 customers to providing high-quality drinking water to nearly a million people every day, Louisville Water has grown exponentially since 1860. None of it would be possible without hardworking employees, a spirit of innovation, and a commitment to public health.

We celebrated 165 years of service on October 16, 2025 with employees receiving a special treat and community partners celebrating the milestone through a social media campaign.

### LOCAL 1683 REACHED A MILESTONE

Louisville Water's union, Local 1683, reached a significant milestone of its own. On December 15, 2025, Local 1683 marked 75 years. It is believed to be the oldest local charter of the American Federation of State, County, and Municipal Employees (AFSCME) in Kentucky.

Louisville Water and Local 1683 actively work together to maintain mutual respect and in its history, Local 1683 has not had layoffs or strikes.

### RECOGNIZING EMPLOYEES

Louisville Water makes it a priority to celebrate our employees. Whether it's a company-wide picnic, holiday party, or the annual Veterans Day Breakfast with Louisville MSD, it's important to recognize the value they add to our company.

The annual Service Awards Breakfast in November honored more than 50 employees. Several of those reached milestones of 20, 25, and even 35 years, a true testament to their dedication as well as the commitment from Louisville Water to be a place where they want to work.

### CULTIVATING INCLUSION

The employee-led CORE (Culture of Ownership, Respect, and Engagement) Council and Employee Activities Committee (EAC) organized activities and events throughout the year to help cultivate a sense of community within Louisville Water. The CORE Council hosted a range of events that brought in guests from the community, including a Hispanic Heritage celebration, an event with hands-on activities to experience neurodivergence, and a Juneteenth program. EAC organized an evening at Slugger Field for Louisville Water employee night at a Louisville Bats game and both groups teamed up for a company picnic at the park.

**77% of employees recognized efforts to improve workplace culture**



Celebrating 165 years of Louisville Water Company



Local 1683 marked 75 years as a charter



Employees translated their names in Mandarin (Chinese language) at an event celebrating Asian American-Pacific Islander Heritage Month

### SURVEY SAYS...

A survey revealed Louisville Water's efforts to build a more inclusive culture and environment are moving the company in the right direction.

Roughly three-fourths of employees participated in the survey conducted by an independent third-party consultant. The results showed progress in many areas, with more employees sharing they:

- Have a stronger sense of belonging
- Feel heard by their supervisor
- Are more comfortable talking to co-workers and supervisors

The survey also highlighted areas for improvement such as ensuring everyone feels safe sharing their honest opinions while being respectful.

### A NEW ERA OF EMPLOYEE TOOLS

A project to improve the employee self-service experience crossed the finish line in late December. Multiple teams collaborated to develop and launch Oracle HCM (Human Capital Management). The payroll department invested a lot of time and effort to ensure applications were configured to ensure a smooth and seamless transition.

HCM streamlined applications by creating a central platform where employees can submit timecards and paid-time-off requests, view their benefits and personal information, track performance objectives, complete safety and security training, and apply for internal job positions.

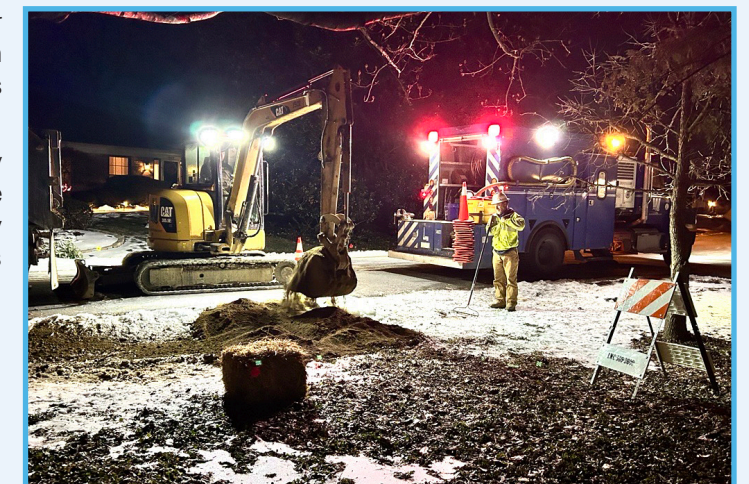
### STRIVING TO STAY SAFE

Louisville Water did not waver in its commitment to prioritizing safety and finished the year with 11 OSHA-recordable incidents. Back-to-back winter storms in January created prime conditions for three injuries. Seven of the 11 recordables occurred in distribution operations, but it's important to also note that Local 1683 members worked nearly seven months without a single injury.

Additionally, all employees completed Louisville Water's mandatory safety training. A firm commitment to safety is ingrained in the company's culture. This focus includes safety field audits, weekly safety tailgate meetings with staff, and annual safety awareness giveaways along with team incentives. **W**



Annual Service Awards Breakfast celebrates employees with significant years of experience at Louisville Water



High-vis clothing, hard hats, safety barricades, cones, and strobe lights help keep our employees safe

# COMMUNITY ENGAGEMENT

## A NEW CHAPTER AT LOUISVILLE WATER TOWER

For generations, the Louisville Water Tower has stood as an icon on the riverfront—a symbol of innovation, resilience, and public service. From the beginning, our founders envisioned something more than infrastructure. They imagined a place where people could gather, learn, and connect. In 2025, Louisville Water renewed our focus on the educational mission of the Tower and WaterWorks Museum, moving to a new operational model that eliminated rentals and prioritized being an educational hub.

Nearly 10,000 people visited the Tower and WaterWorks Museum in 2025 through school field trips, monthly open days, and special events. One of the events was a fall festival. Featuring hands-on activities at educational stations staffed by Louisville Water employees from several different departments, this festival alone brought about 400 visitors to the Tower on a cold day.

## CONNECTING WITH THE COMMUNITY

The WaterWorks Museum is just one part of Louisville Water's education and outreach in the community. Whether it was water service at a public event, a school lesson, or a field trip to Louisville Water Tower, our education and outreach team reached more than a half million people in 2025.

We reached nearly 460,000 people through events, cooler rentals, and Pure Tap-branded water bottles among other items. Our educators visited 442 community events and schools, up from 418 in 2024, reaching 75,684 people.

We also capitalized on existing partnerships to provide Pure Tap to a wider audience. A new policy at the KFC Yum! Center opened the door for visitors to bring an empty, clear reusable bottle and fill up at six uniquely branded hydration stations. We boosted our presence at Louisville Muhammad Ali International Airport with four new bottle-fill stations in the terminals for a total of nine in the airport.

## SERVICE BOARD SUCCESS

Louisville Water's Service Board includes employees from departments throughout the company who support the community through a range of projects. In 2025, Service Board activities included stuffing over a thousand backpacks for students during Metro United Way's Day of Action and supporting the Salvation Army Angel Tree program by purchasing gifts for children, preparing the gift bags, and volunteering on distribution day.

For the second year in a row, the Service Board also went toe-to-toe with Louisville MSD for a shoe drive competition. The event benefited WaterStep, which works to provide clean water access around the world. Louisville Water and MSD collected 569 pounds of shoes with Louisville Water repeating the victory for the most donations.



We reached more than 545,000 people through our education and outreach efforts in 2025



Louisville Water educators visited nearly 450 schools and community centers

The Service Board also worked with Louisville Parks and Recreation's Urban Forestry Department to plant trees at Champions Park in honor of 10 Louisville Water employees who passed away in the previous 10 years. The gesture created a lasting tribute to their impact at Louisville Water and on our employees who had the pleasure of knowing and working with them.

## THOMAS FAMILY SCHOLARSHIP

Central High School senior Anaya Coleman received Louisville Water's 2025 Thomas Family Scholarship. To qualify, she wrote several essays, including one on the importance of water in the environment. As an aspiring engineer, she centered her essay on infrastructure. Coleman graduated from Central High School with a 4.0 GPA and now studies mechanical engineering at the University of Louisville.

The Thomas Family Scholarship is named after the first Black family on Louisville Water's payroll dating back to 1872. Louisville Water partnered with YMCA Black Achievers which administers the scholarship program. Now in its fifth year, Louisville Water increased the scholarship from \$10,000 to \$15,000.

## DR. RENGAO SONG SCHOLARSHIP

Mercy Kangogo, a Tennessee State University graduate student earning her PhD in engineering and computational sciences, accepted the \$10,000 Dr. Rengao Song Scholarship.


Kangogo's research focuses on water and wastewater treatment, looking at the application of machine learning techniques in modeling the transport of per- and polyfluoroalkyl substances (PFAS) in the aqueous phase.

Louisville Water partnered with the Kentucky/Tennessee (KY/TN) Section of the American Water Works Association in 2021 to create the Dr. Rengao Song Scholarship. It honors a Louisville Water retiree for his commitment to excellence in water quality while supporting a student who embodies his same spirit and aspirations.

## BOURBON'S BEST FRIEND

You can't have great bourbon without great water! Louisville Pure Tap is used in recipes at 20 different distilleries and our top-shelf water inspired Angel's Envy Master Distiller Owen Martin to put a unique spin on a limited-edition purely local batch.

Martin wanted to elevate water as a key ingredient in the bourbon's flavor profile. Louisville Water provided Angel's Envy with Pure Tap directly from the Crescent Hill Water Treatment Plant without additional treatment at the distillery.

Angel's Envy released its Two Grain bourbon at Louisville Water Tower where Martin and Kentucky bourbon connoisseurs sampled the spirit and toured the historic site. 



Louisville Water employees helped distribute Angel Tree gift bags to local families



Anaya Coleman won Louisville Water's \$15,000 Thomas Family Scholarship



Mercy Kangogo won the \$10,000 Dr. Rengao Song Scholarship



Louisville Pure Tap® highlighted in limited edition Angel's Envy blend



Partnership for Safe Water treatment plants awards - Source: AWWA

## AWARDS AND ACHIEVEMENTS

### TOP HONORS FOR TREATMENT PLANTS

The Partnership for Safe Water recognized the Crescent Hill Water Treatment Plant for maintaining the Excellence in Water Treatment Award for 10 consecutive years. It is one of 19 plants in the country to achieve this prestigious water quality distinction. Crescent Hill and the B.E. Payne Treatment Plant were also honored with the 25-year Directors Award.

### RISING TO A NEW ROLE

Louisville Water President & CEO Spencer Bruce stepped into a larger role with the Association of Metropolitan Water Agencies (AMWA). He was appointed to the Board of Directors while continuing to chair AMWA's policy committee which helps guide the organization's legislative workplan. AMWA is a strong advocate for the water sector and works to support legislative policies aimed at protecting public health in relation to safe drinking water.

### HANDING OVER THE REINS

Executive Vice President Dave Vogel ended his long tenure on the Water Customer Care Forum's governing board. Louisville Water is one of the founding members of the group and hosted the annual conference in September 2025. The forum gives water utilities the opportunity to share ideas and best practices connected to customer service, metering, and field services.

### BREAKING BARRIERS

Kelley Dearing Smith accepted the Abel Wolman Award in June 2025 at the American Water Works Association's Annual Conference and Expo (ACE). Smith is the first woman and the first communicator to join a distinguished group of engineers and scientists awarded the same honor.

Since joining Louisville Water in 1999, Smith has worked tirelessly to elevate the role of communications in the water sector and ensure there is a voice in the room. Her work includes strategic branding, community partnerships, and meeting with local, state, and federal leaders to strengthen public trust, emphasize the importance of clean drinking water, and continually advocate for affordability and accessibility.

### BANNER YEAR

Dearing Smith earned another prestigious award—Communicator of the Year in the Public Relations Society of America's Bluegrass Chapter's Hall of Fame.

Smith's background in broadcast journalism was instrumental in helping build Louisville Water's brand, launching the company's education and outreach program, overseeing the development of the WaterWorks Museum, and authoring a book to celebrate Louisville Water's 150th anniversary.



Louisville Water President and CEO Spencer Bruce appointed to AMWA Board of Directors



Water Customer Care Forum - Source: EMA, Inc.



VP of Communications Kelley Dearing Smith honored with Abel Wolman Award - Source: AWWA

### PASSING OF THE GAVEL

Megan Talley, manager of metering field operations, moved into the role of the AWWA Chair for the KY/TN Section for the 2025-2026 year. Talley will lead the Board of Trustees and oversee the planning and execution for the 2026 Water Professionals Conference (WPC). A long-time member of the Section's board, Talley guided members in developing the 2026 strategic plan and oversaw the fall 2025 leadership retreat.


### ON KLOUD NINE

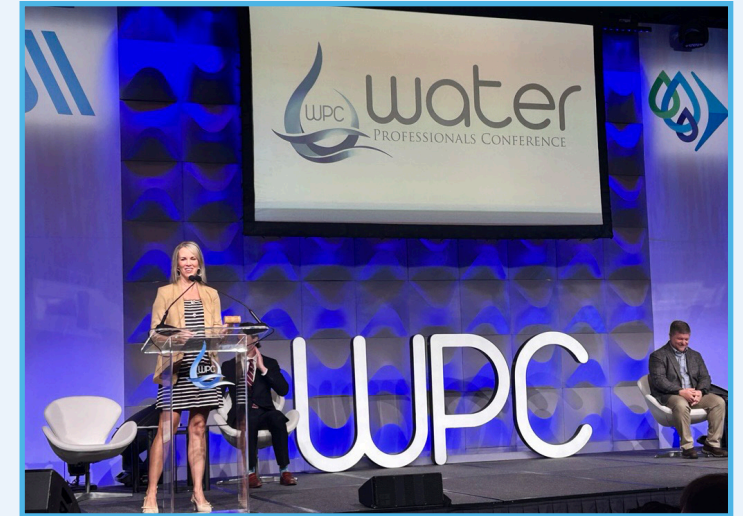
Customer Information Systems Program Manager Obe Everett took home a top award at the KloudConnect 2025 Conference. KloudGin's Distinguished Leadership Award recognized his dedication to transforming technology with a user-centric approach.

Over the past decade, Everett has spearheaded a sweeping digital modernization at Louisville Water, transitioning from paper-based systems to a cutting-edge, mobile-enabled platform that serves employees and customers

Everett quickly acknowledged his colleagues, saying the award honors the collaborative spirit of everyone involved along the way who trusted the vision and embraced change.

### TAPPING A LEGACY

Following the national competition at ACE 2025, the Lady Legends tapping team successfully tapped a water main during the AWWA KY/TN Section's Water Professionals Conference. The competition requires teams to literally tap into a cement-lined, ductile iron pipe filled with water and install a copper service line while racing against the clock. The Lady Legends will compete at the national level again at ACE 2026 in Washington, D.C. 



Megan Talley appointed AWWA Chair of the KY/TN Section



Obe Everett received KloudGin's Distinguished Leadership Award Source: KloudGin



Lady Legends tapping team qualified at WPC 2025 to advance to nationals in 2026

# FINANCIAL VIABILITY

Louisville Water’s financial performance in 2025 demonstrated substantial resilience during a year characterized by extreme wet weather events. Total operating revenue grew by 3.2% over the prior year, resulting in net income of \$88.9 million. The dividend to Louisville Metro increased from \$32.2 million in 2024 to \$34.9 million in 2025. This contributed to total shareholder value climbing from \$55.1 million in 2024 to \$58.7 million in 2025, an increase of 6.3%.

Despite a record rainfall in early spring and a full-year total of almost 55 inches of rain, water consumption was 34.5 billion gallons, our second highest total since 2015. As compared to an unusually strong 2024, water consumption for 2025 was down 0.9% driven by shortfalls within the industrial and residential classes, partially offset by increases in wholesale and commercial. Wholesale consumption in 2025 of 3.8 billion gallons was the highest on record and grew by 13.9% over 2024, reflective of Louisville Water’s focus on wholesale revenue as a key strategy to mitigate the impact of the long-term trend of declining retail water consumption. Operating expenses were up 7.4% in 2025 compared to the prior year driven by higher operating and maintenance expenses, depreciation and amortization, and water and fire service provided in lieu of taxes. Although there were once again positive actuarial adjustments related to pension and other post-retirement benefits in 2025, the magnitudes were less than in 2024, which therefore resulted in a negative variance when compared to the previous year.

In 2025, Louisville Water maintained its top-tier AAA/Aaa rating while completing a \$240 million bond issuance, the largest in Company history, to fund its robust capital improvement plan. In 2025, the Company invested \$180.7 million in its capital program, with the majority of the funds going to infrastructure renewal and growth-related improvements. The top three initiatives accounted for almost half of the capital funds spent: redundant residuals conveyance system at the Crescent Hill Treatment Plant, discharge system improvements at the Crescent Hill Pump Station, and the installation of pipelines to facilitate regionalization. In 2026, the capital program is \$213.1 million, two-thirds of which is allocated to infrastructure renewal.

We expect Louisville Water will sustain a strong financial position throughout 2026. While shifting economic trends and unpredictable weather can fluctuate consumption, we are prepared to take the necessary steps to protect our bottom line. Our core revenue remains rooted in retail water sales, yet we continue to prioritize regional partnerships and innovative growth to ensure long-term financial viability.

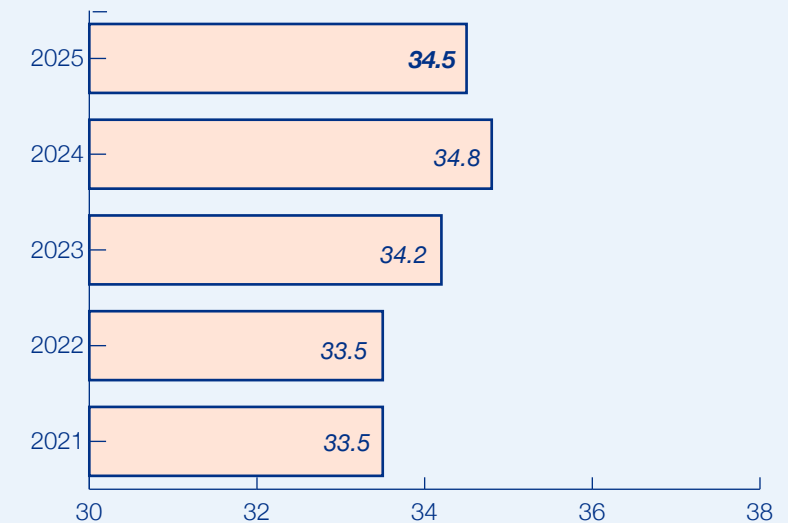
## Historical Review

(000s)	2021	2022	2023	2024	2025
Water Revenue	\$ 195,962	\$ 203,187	\$ 217,064	\$ 230,980	\$ 237,941
Other Operating Revenue	\$ 18,638	\$ 20,948	\$ 21,287	\$ 22,338	\$ 23,407
Operating Expenses*	\$ 156,799	\$ 167,593	\$ 179,516	\$ 189,408	\$ 200,622
GASB 68/75 Pension/OPEB Actuarial Adjustment	\$ 2,657	\$ (393)	\$ (9,686)	\$ (12,380)	\$ (10,441)
Net Nonoperating Income (Expenses)	\$ (4,795)	\$ (4,947)	\$ 2,873	\$ 14,519	\$ 17,782
Net Income Before Distributions and Contributions	\$ 50,349	\$ 51,988	\$ 71,395	\$ 90,810	\$ 88,949

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

## Total Consumption

(in billion gallons)



**FINANCIAL PERFORMANCE - OPERATIONS**

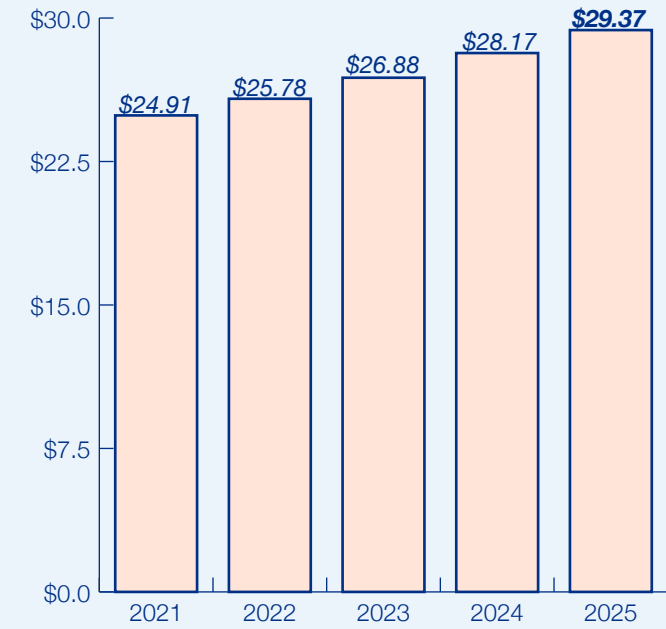
**Sale of Water**

	Number of customers at December 31		Consumption - YTD gallons (000s)		Revenue - YTD (in 000s)	
	2025	2024	2025	2024	2025	2024
Residential	261,274	259,862	12,337,236	12,653,829	\$ 96,350	\$ 94,520
Commercial	23,896	23,792	12,219,902	12,072,383	71,755	68,371
Industrial	476	469	3,036,918	3,491,731	13,347	14,206
Irrigation	14,353	14,132	2,226,126	2,314,797	17,495	17,337
Fire Services	4,989	4,930	58,121	55,972	4,822	4,735
Wholesale	9	9	3,752,205	3,294,978	10,414	8,888
<b>Total</b>	<b>304,997</b>	<b>303,194</b>	<b>33,630,508</b>	<b>33,883,690</b>	<b>214,183</b>	<b>208,057</b>
Public Fire Hydrants	25,350	25,224	-	-	19,241	18,354
Metro Govt	601	608	848,775	915,119	4,517	4,569
<b>Total</b>	<b>25,951</b>	<b>25,832</b>	<b>848,775</b>	<b>915,119</b>	<b>23,758</b>	<b>22,923</b>
<b>Grand Totals</b>	<b>330,948</b>	<b>329,026</b>	<b>34,479,283</b>	<b>34,798,809</b>	<b>\$ 237,941</b>	<b>\$ 230,980</b>

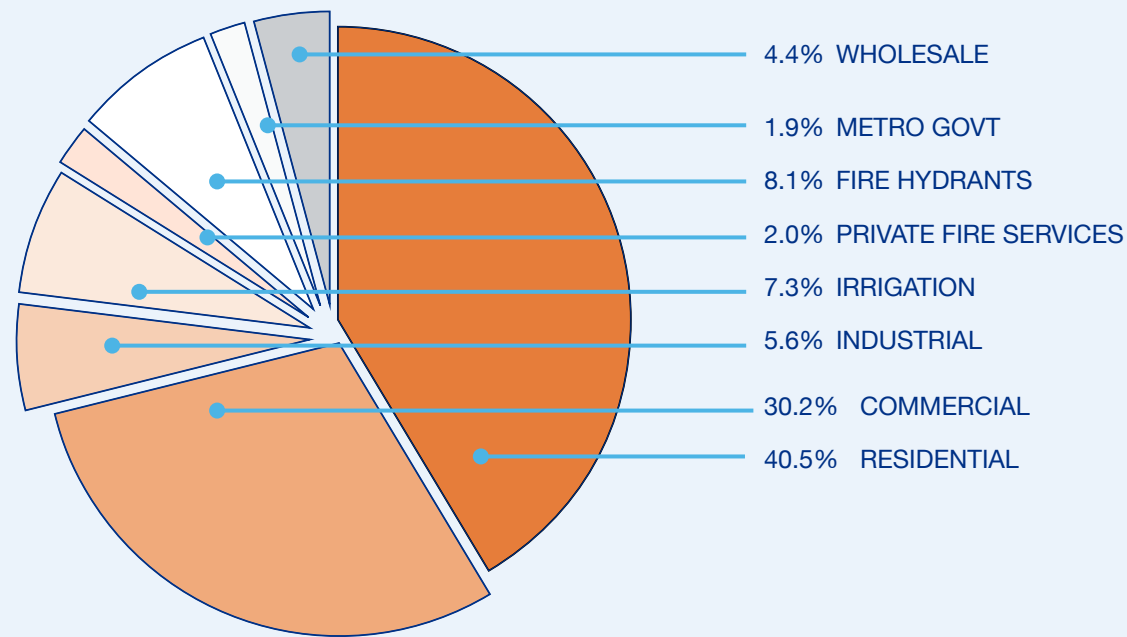
**FINANCIAL PERFORMANCE - OPERATIONS**

**Average Residential Monthly Water Bill**

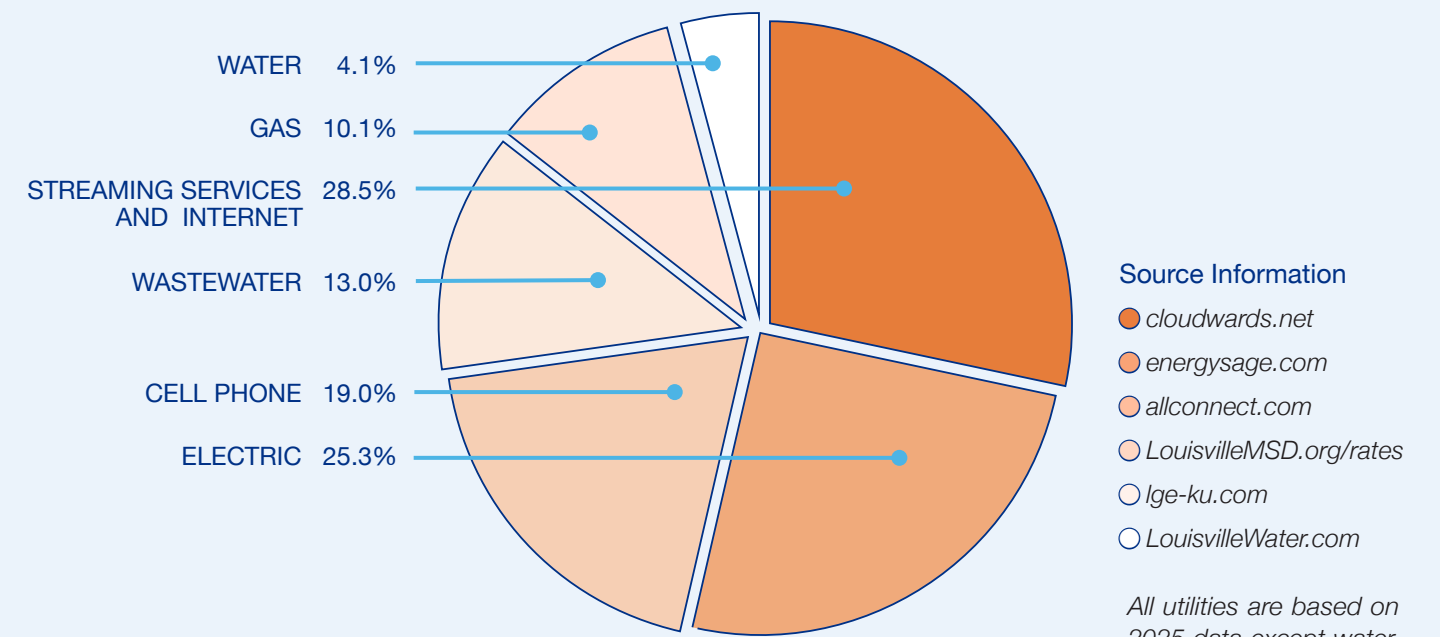
based upon median usage of 4,000 gallons per month



**2025 Water Revenue**



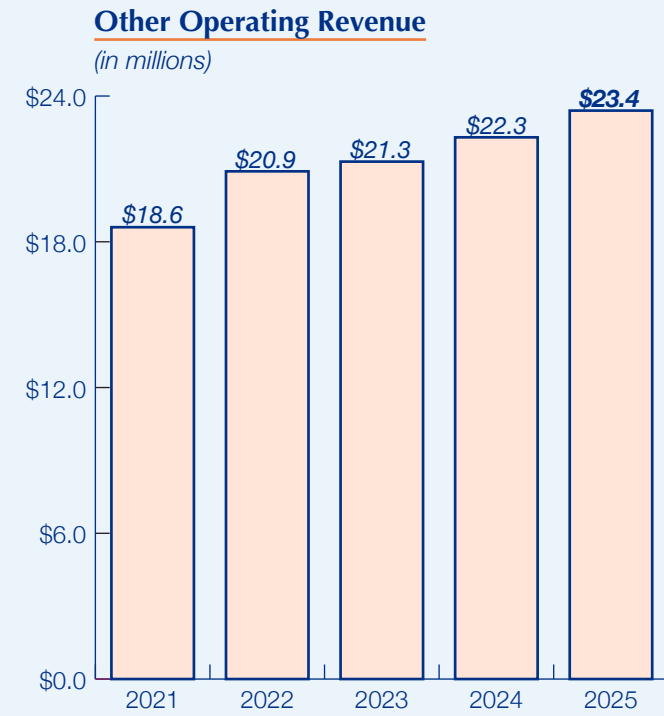
**Typical Cost of Residential Household Monthly Utility Bills**



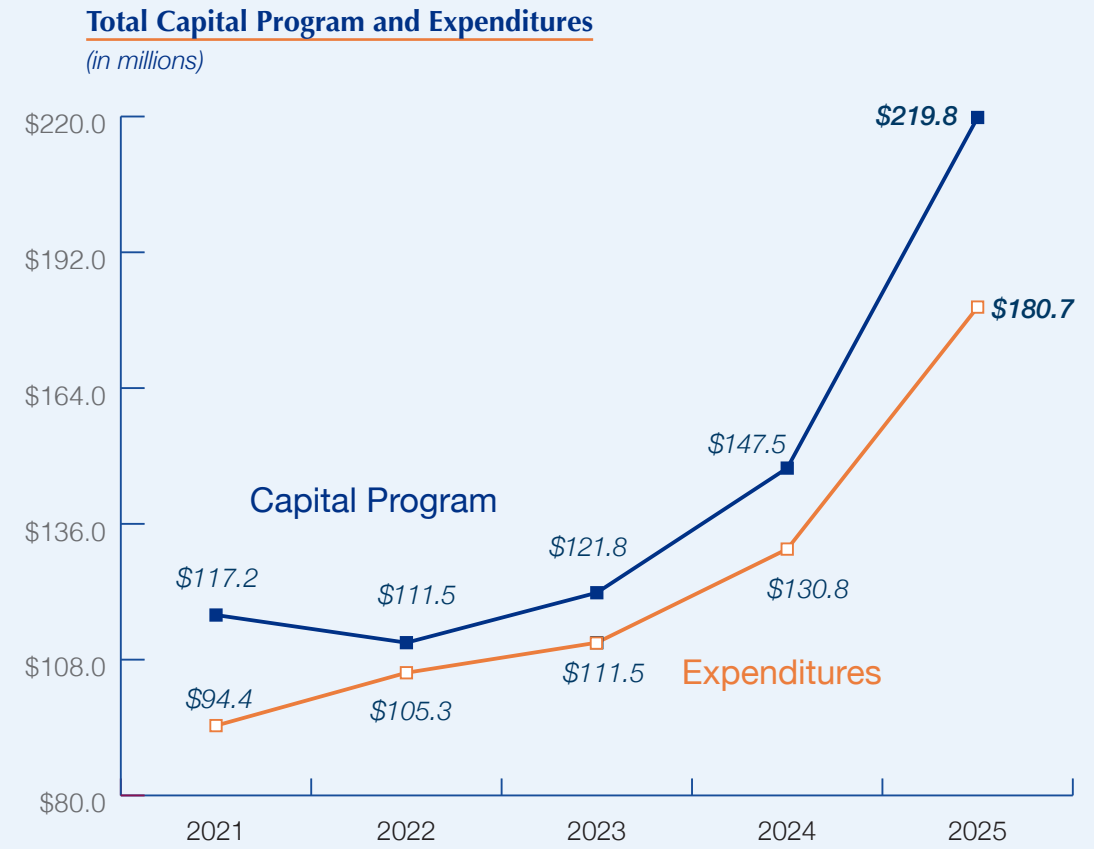
**Source Information**  
 ● cloudwards.net  
 ● energysage.com  
 ● allconnect.com  
 ● LouisvilleMSD.org/rates  
 ○ lge-ku.com  
 ○ LouisvilleWater.com

All utilities are based on 2025 data except water, which is based on 2026

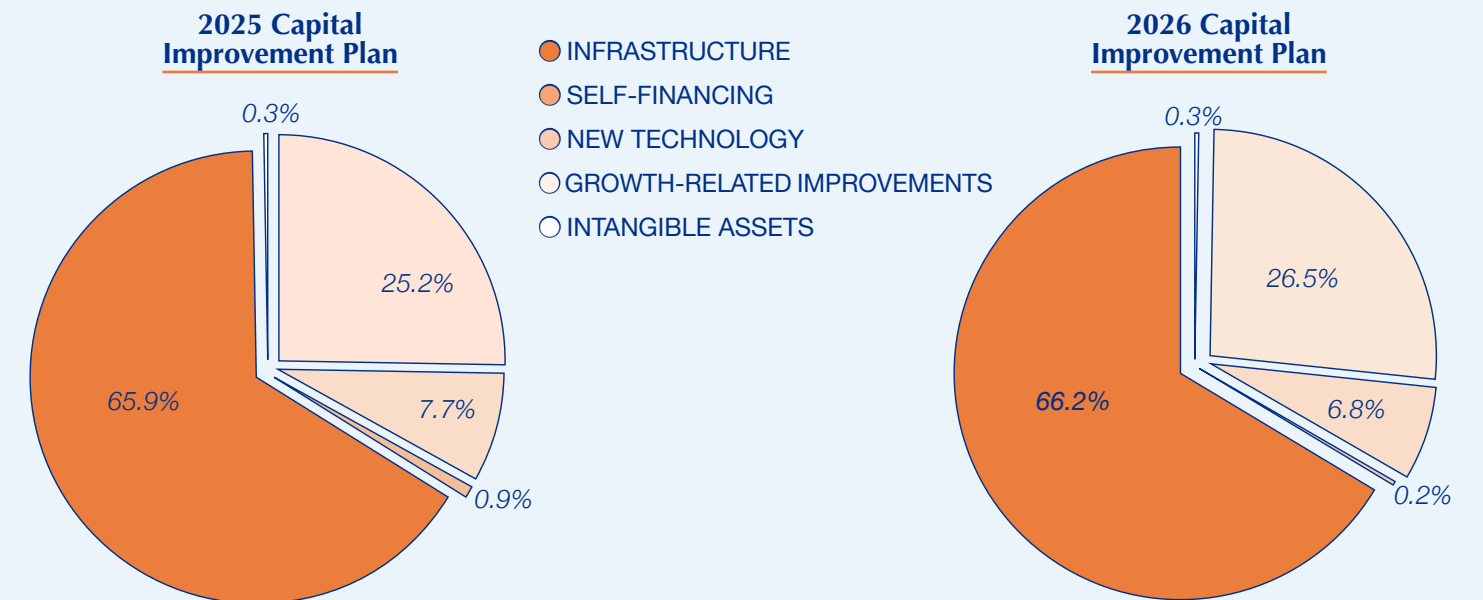
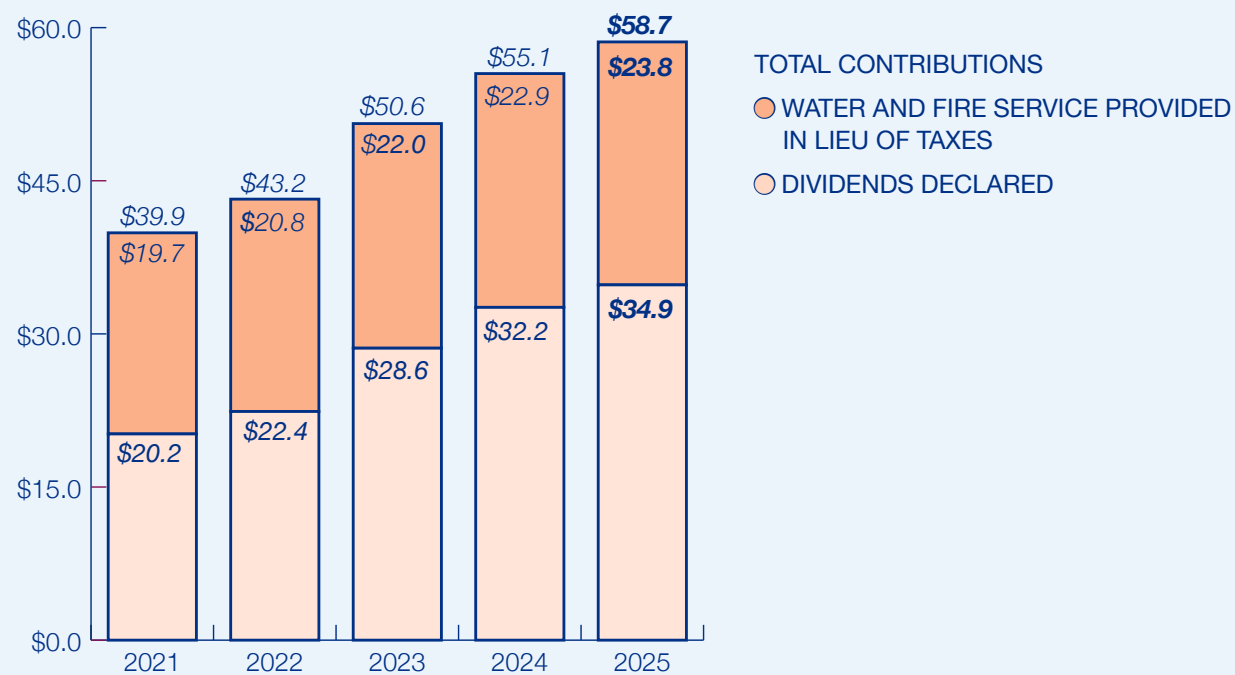
**FINANCIAL PERFORMANCE - OPERATIONS**



**FINANCIAL PERFORMANCE - CAPITAL**



**Total Contributions to Metro**  
(in millions)



# INDEPENDENT AUDITOR'S REPORT

Board of Water Works  
Louisville Water Company  
Louisville, Kentucky

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the financial statements of Louisville Water Company ("Company"), a component unit of Louisville/Jefferson County Metro Government, as of and for the year ended December 31, 2025, 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, 2025, 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.

## INDEPENDENT AUDITOR'S REPORT

### **Report on Summarized Comparative Information**

We have previously audited Louisville Water Company's 2024 financial statements, and we expressed an unmodified audit opinion on the financial statements of Louisville Water Company in our report dated May 22, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of the Company's proportionate share of the net pension liability, the schedule of the Company's proportionate share of the net other postemployment benefits ("OPEB") liability, the schedule of the Company's pension contributions, and the schedule of the Company's OPEB contributions on pages 24-29 and 52-67, respectively, 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 19, 2026 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



Louisville, Kentucky  
May 19, 2026

# 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, 2025 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 creditworthiness.

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 2025 Performance

Although water consumption for 2025 at 34.5 billion gallons was the Company's second-highest total since 2015, heavy rainfall in the spring and early summer coupled with an unusually strong performance in 2024 resulted in a year-over-year decline in total consumption of 0.9%. Despite the overall consumption decrease, Operating Revenue grew modestly in 2025 by \$8.0 million, or 3.2%, due to an average rate increase of 4.25%, higher consumption in the wholesale and commercial classes, and an increase in other operating revenue, partially offset by decreases in consumption of most all other customer categories. Operating Expenses increased by \$13.2 million, or 7.4%, driven primarily by increases in Operating and Maintenance Expense, Depreciation and Amortization, and Water and Fire Service Provided in Lieu of Taxes, as well as less favorable Pension/OPEB actuarial adjustments. As a result, Net Operating Revenue decreased by \$5.1 million for the year.

During 2025, the Company recognized \$14.7 million of per- and polyfluoroalkyl substances ("PFAS") legal settlement proceeds as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position. While additional legal settlement proceeds are expected in future years, the amounts and timing are uncertain and not associated with the Company's ongoing operations. See Note 13, "Nonoperating Revenue-Legal Settlement" for more information.

Net income Before Distributions and Contributions totaled \$88.9 million in 2025. The resulting dividend of \$34.9 million, combined with free water and fire protection valued at \$23.8 million, provided a total shareholder value of \$58.7 million, a 6.3% increase from 2024. This improvement was a result of a higher dividend, and to a lesser extent an increase in the combined value of free water and fire protection provided to Louisville Metro.

## Financial Highlights

- Total Net Position increased by \$70.4 million, or 5.7%, primarily due to funds generated from operations, net of dividend paid to the Company's shareholder.
- Operating Revenue increased by \$8.0 million, or 3.2%, due to a water rate increase of 4.25% effective January 1, 2025 along with higher revenue from non-water sources, partially offset by a 0.9% reduction in gallons of water sold in 2025 as compared to 2024 driven by record rainfall.
- Operating Expenses increased by \$13.2 million, or 7.4%, primarily as a result of increases in Operating and Maintenance Expenses of \$8.1 million, Depreciation and Amortization Expense of \$1.9 million, Water and Fire Service Provided in Lieu of Taxes of \$0.9 million, Loss from Sale and Salvage of Retired Assets of \$0.4 million, as well as less favorable Pension/OPEB Actuarial Adjustments of \$1.9 million.
- Net Nonoperating Income increased \$3.3 million primarily due to legal settlement income of \$14.7 million, partially offset by decreases in grant revenue of \$9.6 million and interest income of \$0.8 million, as well as higher interest expense of \$1.2 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net Income Before Distributions and Contributions decreased by \$1.9 million, or (2.0%).
- Dividends Paid and Payable increased \$2.6 million, as the three-year average adjusted net income utilized for the dividend calculation rose by \$5.2 million.

## Statement of Net Position

Total Net Position increased by \$70.4 million, or 5.7%, in 2025 (see Figure 1). The largest portion of Total Net Position is Net Utility Plant, which increased by \$122.1 million in 2025 as a result of additional investment in capital assets. The capital assets were funded by cash generated from operations, grants, and Contributions in aid of Construction from developers, customers, and governmental agencies. Current Assets increased by \$110.8 million in 2025, primarily due to an increase in Restricted, Expendable Bond Accounts resulting from the issuance of the Series 2025 bonds, as well as an increase in Cash and Short-Term Liquid Investments. Noncurrent Assets rose by \$45.9 million as a result of Investments made of \$28.1 million and increases in Restricted Reserves of \$10.7 million and Prepaid Regulatory Assets of \$8.3 million. Current Liabilities increased by \$1.0 million in 2025. Long-Term Liabilities increased by \$216.0 million primarily due to the issuance of the Series 2025 bonds.

## FIGURE 1

### Condensed Statement of Net Position

	2025	2024	Difference	Percent
Current Assets	\$ 229,412,793	\$ 118,593,086	\$ 110,819,707	93.4%
Noncurrent Assets	99,875,375	53,964,758	45,910,617	85.1%
Deferred Outflows of Resources	11,107,858	11,124,460	(16,602)	(0.1%)
Net Utility Plant	1,644,525,865	1,522,422,679	122,103,186	8.0%
Total Assets and Deferred Outflows of Resources	1,984,921,891	1,706,104,983	278,816,908	16.3%
Current Liabilities	74,408,126	73,364,152	1,043,974	1.4%
Long-Term Liabilities	595,255,776	379,270,247	215,985,529	56.9%
Deferred Inflows of Resources	20,819,966	29,391,631	(8,571,665)	(29.2%)
Total Liabilities and Deferred Inflows of Resources	690,483,868	482,026,030	208,457,838	43.2%
Total Net Position	\$ 1,294,438,023	\$ 1,224,078,953	\$ 70,359,070	5.7%

## Statement of Revenues, Expenses, and Changes in Net Position

Operating Revenue grew by \$8.0 million, or 3.2%, in 2025 (see Figure 2) due to an increase in water revenue of \$7.0 million, or 3.0%, and to a lesser extent, other operating revenue. The increase in water revenue is attributable to higher rates, as well as increased consumption with the wholesale and commercial classes, partially offset by decreased water consumption within residential, irrigation, and Louisville Metro. Other operating revenue increased by \$1.0 million, or 4.8%, in 2025 primarily as a result of higher revenue from the service line protection program and sewer billing services.

The key components of Operating Expenses are: Operating and Maintenance Expenses; Governmental Accounting Standards Board ("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 \$13.2 million, or 7.4% in 2025. Operating and Maintenance Expenses increased \$8.1 million in 2025 driven by contractual services, labor and labor-related costs, and chemicals. Less favorable actuarial adjustments of \$1.9 million related to pension and other post-retirement benefits added to the increase. Depreciation and Amortization increased by \$1.9 million due to additional investment in capital assets. Water and Fire Service Provided in Lieu of Taxes increased by \$0.9 million as a result of the water rate increase implemented on January 1, 2025. Loss from Sale and Salvage of Retired Assets increased by \$0.4 million.

Net Nonoperating Income increased by \$3.3 million in 2025 primarily due to \$14.7 million recognized for legal settlement proceeds related to PFAS, partially offset by decreases in grant revenue and interest income, as well as increased interest costs. Grant revenue decreased by \$9.6 million as the company received less funding compared to the prior year for the American Rescue Plan grants and Community Development Block grants to fund capital projects. Interest costs related to outstanding bonds increased by \$1.2 million as a result of issuing the Series 2025 Bonds. Interest income fell by \$0.8 million due to the timing and amounts of funds invested along with lower interest rates.

Net Income Before Distributions and Contributions decreased by \$1.9 million, or (2.0%). The formula for computing the dividend, 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 2025 increased by \$2.6 million, or 8.1%.

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 \$0.4 million, or (2.7%), from the previous year.

## FIGURE 2

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024	Difference	Percent
Operating Revenue	\$ 261,347,309	\$ 253,317,959	\$ 8,029,350	3.2%
Operating Expenses	190,180,860	177,027,332	13,153,528	7.4%
Net Operating Revenue	71,166,449	76,290,627	(5,124,178)	(6.7%)
Net Nonoperating Income	17,782,421	14,519,256	3,263,165	22.5%
Net Income Before Distributions and Contributions	88,948,870	90,809,883	(1,861,013)	(2.0%)
Dividends	34,865,053	32,243,827	2,621,226	8.1%
Contributions in aid of Construction	16,275,253	16,725,226	(449,973)	(2.7%)
Change in Net Position	70,359,070	75,291,282	(4,932,212)	(6.6%)
Net Position, Beginning of Year	1,224,078,953	1,148,787,671	75,291,282	6.6%
Net Position, End of Year	\$ 1,294,438,023	\$ 1,224,078,953	\$ 70,359,070	5.7%

### Statement of Cash Flows

Cash at the end of 2025 was \$27.4 million higher than at the end of 2024 (see Figure 3).

- Cash from Operating Activities was \$124.9 million, increasing by \$3.5 million as compared to the prior year. More cash was received from customers compared to 2024 as a result of higher water revenue, while the total of cash paid to employees, suppliers and others increased, partially offsetting that growth.
- Cash provided by Capital and Related Financing Activities was \$50.6 million in 2025 as compared to cash used of \$136.0 million in 2024. This change was a result of \$247.3 million net cash received from the 2025 bond issuance, partially offset by \$58.9 million increase in cash expended on the acquisition and construction of utility plant.
- Cash used in Investing Activities was \$123.3 million in 2025 as compared to cash provided of \$50.3 million in 2024. Increased restricted funds from the bond issuance of \$69.1 million, increased investment purchases of \$48.7 million, reduced investment maturities of \$36.1 million, and a net change of \$19.7 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 \$116.1 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

	2025	2024	Difference	Percent
<b>Cash Flows From</b>				
Operating Activities	\$ 124,917,405	\$ 121,412,349	\$ 3,505,056	2.9%
Non-Capital Financing Activities	(24,844,980)	(31,451,384)	6,606,404	21.0%
Capital and Related Financing Activities	50,592,802	(135,974,544)	186,567,346	137.2%
Investing Activities	(123,299,924)	50,319,348	(173,619,272)	(345.0%)
Net Change in Cash	27,365,303	4,305,769	23,059,534	535.5%
Cash, Beginning of Year	47,021,364	42,715,595	4,305,769	10.1%
Cash, End of Year	\$ 74,386,667	\$ 47,021,364	\$ 27,365,303	58.2%

### Capital Assets

Louisville Water uses a five-year Capital Improvement Program ("CIP") that is updated annually. Periodically, a twenty-year facility plan is prepared by our Consulting Engineer. The most recent Comprehensive Facilities Plan was prepared by Hazen and Sawyer and was adopted by the Board of Water Works in September 2021. Development of the CIP is based on the Company's current Comprehensive Facilities Plan and recommendations from the biennial inspection of facilities. The Company's current Comprehensive Facilities Plan covers the years from 2021 through 2040. The CIP approved by the Board of Water Works in late 2025 shows the Company plans to invest \$791.1 million in improvements during 2026-2030.

The Company spent \$169.6 million on its capital program in 2025, with the largest portion being spent on infrastructure renewal. As shown in Figure 4, total investment in Utility Plant was \$1.6 billion as of the end of 2025, an increase of \$122.1 million from the prior year. Infrastructure renewal projects account for 63.8% of the planned 2026 capital expenditures. In 2026, the Company will make significant investments in water treatment plant improvements, main replacement and rehabilitation, and projects related to its regionalization initiatives. Please see Note 6, "Utility Plant, Net" for capital assets detail.

## FIGURE 4

### Condensed Summary of Capital Assets

	2025	2024	Difference	Percent
Capital Assets	\$ 2,240,872,241	\$ 2,154,090,696	\$ 86,781,545	4.0%
Less Accumulated Depreciation	(879,451,803)	(825,911,836)	(53,539,967)	(6.5%)
Capital Assets, Net	1,361,420,438	1,328,178,860	33,241,578	2.5%
Capital Assets not being Depreciated	283,105,427	194,243,819	88,861,608	45.7%
Utility Plant, Net	\$ 1,644,525,865	\$ 1,522,422,679	\$ 122,103,186	8.0%

### Debt Administration

As of December 31, 2025, the Company has principal outstanding of \$76.6 million for the Series 2015 Bonds, \$101.8 million for the Series 2019 Bonds, \$108.3 million for the Series 2022 Bonds, \$233.8 million for the Series 2025 bonds, and \$1.2 million for KIA loans for a total of \$521.7 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. The Series 2025 Bonds are not insured and are callable beginning in 2035. 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 2025, concurrent with the assignment of Aaa/AAA to its newly issued Series 2025 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 2.44 times in 2025, a slight decrease from the prior year. Please see Notes 7 and 8 for long-term debt detail.

**FIGURE 5**

**Debt Service Coverage**

	2025	2024	Difference	Percent
Income Available for Debt Service	\$ 88,750,068	\$ 87,037,914	\$ 1,712,154	2.0%
Current Aggregate Net Debt Service	36,327,653	35,186,818	1,140,835	3.2%
Debt Service Coverage Times	2.44	2.47	(0.03)	(1.2%)

**Economic Factors and Next Year's Budgets and Rates**

The long-term trend of declining water consumption has been a challenging issue for water utilities nationwide including Louisville Water, though the Company has seen stabilization in recent years. 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 continue to work to optimize revenue from existing revenue streams and 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 2026 Budget adequately addresses all revenue requirements, which are defined as the summation of the operating, maintenance, and capital costs that a utility must recover during the time period for which the rates will be in place. Water rates increased for retail water service by 4.25% on January 1, 2026. Water rates for wholesale customers are recommended to increase on July 1, 2026. 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, 2025 and 2024.

**FIGURE 6**

**Computation of Stockholder's Equity**

	2025	2024	Difference	Percent
Total Equity Capital - Beginning of Year	\$ 813,438,805	\$ 754,872,749	\$ 58,566,056	7.8%
Plus: Income Before Distributions and Contributions	88,948,870	90,809,883	(1,861,013)	(2.0%)
Less: Dividends	34,865,053	32,243,827	2,621,226	8.1%
Total Equity Capital - End of Year	867,522,622	813,438,805	54,083,817	6.6%
Less: Cumulative Deposits to Infrastructure Replacement Reserve	96,891,805	75,157,839	21,733,966	28.9%
Stockholder's Equity Eligible for Return Computation	\$ 770,630,817	\$ 738,280,966	\$ 32,349,851	4.4%

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 2025, Adjusted Net Income was \$67.2 million. The return on equity earned by Louisville Water in 2025 was 8.72%.

**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	2025	2024	Target
Days of Funded Operations	(Cash + Short-Term Liquid Inv.) / (O&M Expense / 365)	385	254	> 250
Capitalization	Reliance on Debt Financing for Capital Investments	2025	2024	Target
Debt to Net Utility Plant	Debt / Net Utility Plant	31.72%	20.32%	< 35%
Debt to Capitalization	Debt / (Debt + Net Position)	28.73%	20.18%	< 24%
Coverage	Capacity to Make Debt Service Payments	2025	2024	Target
Debt Service Coverage	Income Available for Debt Service / Debt Service	2.44	2.47	Current Target > 2.0
Section 603 Rate Covenant	Net Revenue / Max Agg. Debt Service	261%	389%	> 130%
Debt Service Safety Margin	(1 - O&M Expense + Debt Service) / (Operating Revenue + Nonoperating Revenue)	45.99%	46.88%	> 30%
Profitability	Profitability of the Company	2025	2024	Target
Return on Equity	(Net Income – Infrastructure Reserve Replacement (“IRR”) + Bond Reserve Adjustment) / Stockholder Equity Eligible for Return	8.72%	9.76%	> 7.5%
Return on Net Utility Plant	Net Income / Net Utility Plant	5.41%	5.96%	> 3.5%
Net Profit Margin	Net Income / Operating Revenue	34.03%	35.85%	> 20%
Dividend Payout	Measurement of Distribution of Profit as a Dividend	2025	2024	
Dividend Payout	Dividends Declared / (Net Income - IRR)	51.87%	44.73%	
Total Transfers	(Water in Lieu of Taxes + Dividends) / Operating Revenue	22.47%	21.81%	

**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, 2025  
(With Summarized Financial Information as of December 31, 2024)

	2025	2024
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 74,386,667	\$ 47,021,364
Short-term liquid investments	51,108,384	30,078,982
Cash and short-term liquid investments	125,495,051	77,100,346
Accounts receivable, net	16,154,698	21,504,496
Contracts receivable, current portion	604,507	594,259
Materials and supplies	8,820,833	10,214,388
Restricted, expendable bond accounts	72,364,326	3,534,071
Other current assets	4,876,433	5,554,582
Accrued interest receivable	1,096,945	90,944
<b>Total Current Assets</b>	<b>229,412,793</b>	<b>118,593,086</b>
Utility Plant, net of accumulated depreciation	1,644,525,865	1,522,422,679
<b>Noncurrent Assets</b>		
Investments	28,058,020	-
Restricted reserves	43,276,563	32,596,558
Non-utility property	2,079,968	2,160,119
Unamortized bond issuance costs	1,880,974	1,045,335
Net OPEB asset	-	2,051,249
Contracts receivable	247,443	282,899
Preliminary engineering charges	741,717	550,386
Prepaid regulatory assets	23,590,690	15,278,212
<b>Total Noncurrent Assets</b>	<b>99,875,375</b>	<b>53,964,758</b>
<b>Total Assets</b>	<b>1,973,814,033</b>	<b>1,694,980,523</b>
<b>Deferred Outflows of Resources</b>		
Pension	6,083,629	7,468,172
OPEB	4,984,841	3,656,288
Loss on refunding of debt	39,388	-
<b>Total Deferred Outflows of Resources</b>	<b>11,107,858</b>	<b>11,124,460</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,984,921,891</b>	<b>\$ 1,706,104,983</b>

Continued

## STATEMENT OF NET POSITION CONTINUED

December 31, 2025  
(With Summarized Financial Information as of December 31, 2024)

	2025	2024
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 24,656,846	\$ 28,529,919
Sewer collections (contra)	1,937,612	2,173,241
Customer deposits and advances	6,280,638	5,569,363
Tax collections payable	686,633	933,135
Accrued interest payable	2,809,740	1,541,648
Contracts payable, retainage percentage	6,962,549	7,262,474
Accrued payroll	788,337	687,879
Accrued compensated absences	2,105,675	2,036,620
Insurance reserve	2,448,066	2,572,746
Bonds and notes payable, current portion	25,732,030	22,057,127
<b>Total Current Liabilities</b>	<b>74,408,126</b>	<b>73,364,152</b>
<b>Long-Term Liabilities</b>		
Net pension liability	65,671,553	70,847,927
Net OPEB liability	1,134,160	-
Unamortized debt premium and discount	32,481,901	21,104,978
Bonds and notes payable, less current portion	495,968,162	287,317,342
<b>Total Long-Term Liabilities</b>	<b>595,255,776</b>	<b>379,270,247</b>
<b>Total Liabilities</b>	<b>669,663,902</b>	<b>452,634,399</b>
<b>Deferred Inflows of Resources</b>		
Pension	7,109,160	8,828,897
OPEB	13,710,806	20,497,100
Gain on refunding of debt	-	65,634
<b>Total Deferred Inflows of Resources</b>	<b>20,819,966</b>	<b>29,391,631</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>690,483,868</b>	<b>482,026,030</b>
<b>Net Position</b>		
Net investment in capital assets	1,168,177,093	1,197,243,748
Unrestricted	78,335,019	(9,295,424)
Restricted, expendable – debt service	29,778,540	20,953,142
Restricted, expendable – capital	18,147,371	15,177,487
<b>Total Net Position</b>	<b>1,294,438,023</b>	<b>1,224,078,953</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,984,921,891</b>	<b>\$ 1,706,104,983</b>

See accompanying Notes to Financial Statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2025  
(With Summarized Financial Information for the Year Ended December 31, 2024)

	2025	2024
<b>Revenues</b>		
Operating revenues	\$ 261,347,309	\$ 253,317,959
<b>Operating Expenses</b>		
Operating and maintenance expenses	119,074,839	110,996,700
GASB 68 pension actuarial adjustment	(5,511,568)	(7,161,917)
GASB 75 OPEB actuarial adjustment	(4,929,438)	(5,218,530)
Depreciation and amortization	56,048,444	54,161,362
Water and fire service provided in lieu of taxes	23,857,772	23,005,492
Loss from sale and salvage of retired assets	1,640,811	1,244,225
Total Operating Expenses	190,180,860	177,027,332
<b>Net Operating Revenue</b>	71,166,449	76,290,627
<b>Nonoperating Income (Expense)</b>		
Interest income	5,819,829	6,625,918
Interest expense	(8,601,393)	(7,364,253)
Nonoperating revenue-legal settlement, net	14,746,654	-
Nonoperating revenue-other	168,673	-
Grant revenue	5,648,658	15,257,591
<b>Net Nonoperating Income</b>	17,782,421	14,519,256
<b>Net Income Before Distributions and Contributions</b>	88,948,870	90,809,883
<b>Distributions and Contributions</b>		
Dividends	(34,865,053)	(32,243,827)
Contributions in aid of construction	16,275,253	16,725,226
<b>Total Distributions and Contributions, Net</b>	(18,589,800)	(15,518,601)
<b>Change in Net Position</b>	70,359,070	75,291,282
<b>Net Position, Beginning of Year</b>	1,224,078,953	1,148,787,671
<b>Net Position, End of Year</b>	\$ 1,294,438,023	\$ 1,224,078,953

# STATEMENT OF CASH FLOWS

Year ended December 31, 2025  
(With Summarized Financial Information for the Year Ended December 31, 2024)

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 242,082,615	\$ 226,611,240
Cash paid to suppliers and others	(75,956,975)	(66,972,225)
Cash paid to employees for services or benefits	(41,208,235)	(38,226,666)
<b>Net Cash Provided by Operating Activities</b>	124,917,405	121,412,349
<b>Cash Flows from Non-Capital Financing Activities</b>		
Dividends paid to stockholder	(37,181,617)	(31,451,384)
Proceeds from PFAS legal settlement	12,336,637	-
<b>Net Cash Used in Non-capital Financing Activities</b>	(24,844,980)	(31,451,384)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of utility plant	(167,288,205)	(108,400,327)
Acquisition of non-utility property	(2,316,014)	(2,254,738)
Proceeds from 2025 series bonds	247,279,408	-
Grant funds	9,459,714	10,058,289
Contributions in aid of construction	93,691	78,936
Preliminary engineering charges	(191,331)	(153,078)
Principal paid	(22,057,127)	(21,875,114)
Interest paid	(14,387,334)	(13,428,512)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	50,592,802	(135,974,544)
<b>Cash Flows from Investing Activities</b>		
Investment – purchases	(78,579,000)	(29,873,698)
Investment – maturities	30,470,000	66,554,400
Restricted cash reserves	(10,680,005)	9,016,247
Restricted, expendable bond accounts	(69,244,837)	(119,276)
Interest received	4,733,918	4,741,675
<b>Net Cash Provided by (Used in) Investing Activities</b>	(123,299,924)	50,319,348
<b>Net Change in Cash</b>	27,365,303	4,305,769
<b>Cash, Beginning of Year</b>	47,021,364	42,715,595
<b>Cash, End of Year</b>	\$ 74,386,667	\$ 47,021,364

See accompanying Notes to Financial Statements.

Continued

STATEMENT OF CASH FLOWS CONTINUED

Year ended December 31, 2025

(With Summarized Financial Information for the Year Ended December 31, 2024)

	2025	2024
<b>Reconciliation of Net Operating Revenue to Net Cash Provided by Operating Activities</b>		
Net operating revenue	\$ 71,166,449	\$ 76,290,627
Adjustments to reconcile net operating revenue to cash provided by operating activities		
Depreciation	55,194,460	53,555,032
Amortization	2,396,165	2,334,889
Loss from sale and salvage of retired assets	1,640,811	1,244,225
Changes in current assets and liabilities		
Accounts receivable	4,117,433	(3,639,846)
Materials and supplies	1,393,555	(588,091)
Net OPEB asset	-	(405,255)
Other current assets	678,149	(1,321,520)
Accounts payable	(1,502,588)	5,113,737
Accounts payable, sewer collections	(235,629)	(301,569)
Customer deposits	711,275	240,188
Tax collections payable	(246,502)	244,368
Accrued compensated absences	69,055	331,178
Accrued payroll	100,458	221,910
Net pension liability	(5,176,374)	(5,650,905)
Net OPEB liability	3,185,409	-
Deferred outflows of resources – pension	1,384,543	457,600
Deferred outflows of resources – OPEB	(1,328,553)	2,061,549
Deferred inflows of resources – pension	(1,719,737)	(1,968,612)
Deferred inflows of resources – OPEB	(6,786,294)	(6,874,824)
Insurance reserve	(124,680)	67,668
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 124,917,405</b>	<b>\$ 121,412,349</b>

**Supplemental Information**

Non-cash capital and related financing activities		
Accrued utility plant acquisitions	\$ 10,635,049	\$ 6,237,745
Contributions in aid of construction	\$ 15,906,844	\$ 17,948,383

## 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 165-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 discreetly 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 \$23.8 million were provided to Louisville Metro in lieu of taxes during the year ended December 31, 2025. The Company remitted \$33,920,280 in dividends to Louisville Metro during Louisville Metro’s fiscal year ended June 30, 2025.

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. 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. The Company applies regulated operations accounting under GASB Statement No. 62, as applicable. The Company’s Board serves as the rate-setting authority and establishes rates that bind customers. These rates are designed to recover the costs of providing water services, including operating costs, capital costs, financing costs, and other costs approved for recovery through the Company’s rate-setting process. Accordingly, the Company has determined that its business-type activities meet the criteria for regulated operations under GASB Statement No. 62. When applying regulated operations accounting, the Company considers relevant regulated utility accounting concepts, including those reflected in Accounting Standards Codification (“ASC”) Topic 980, Regulated Operations, as applicable and to the extent consistent with GASB guidance.

**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, 2024, 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 \$10,635,049 and contributions in aid of construction of \$15,906,844.

See accompanying Notes to Financial Statements.

**Implementation of Accounting Standards:** In 2025, the Company adopted GASB Statement No. 102, “Certain Risk Disclosures”. The statement requires disclosure of certain risks arising from known concentrations or constraints when those conditions make the reporting unit vulnerable to a substantial impact and related events have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the financial statement’s issuance date. Adoption of this standard had no material impact on the Company’s financial position or results of operations, and no additional disclosures were required.

**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, “Accounts Receivable” 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 Statement 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 purchase 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 \$12,657,279 was incurred during the year, of which \$4,055,886 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
Structures and improvements	20 to 25 years
Meters	15 years
Equipment	5 to 25 years
Trucks and autos	5 years

Depreciation expense related to utility plant was \$55,194,460 for 2025 of which \$1,542,181 was allocated to other project expenses.

**Non-utility Property:** Non-utility property is stated at cost of acquisition or construction, including certain indirect costs. Direct purchases with a unit cost of \$2,500 or more and a useful life of greater than one year are capitalized. The Company applies the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property. Depreciation expense of non-utility plant was \$2,396,165 for 2025.

**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 a historical cost of \$29,917,131. The carrying value, stated net of depreciation, was \$23,590,690 as of December 31, 2025.

**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 a customer closes the account and any unrefunded deposit on an active account will be applied to the account after three years. Additionally, the Company charges a security deposit for temporary meters for construction, which is applied to charges incurred on the account. Total security deposits at December 31, 2025 were \$2,697,431.

The Company also requires customers to make a deposit for the cost of construction of pipelines and special services. Deposits are refundable to the extent the deposit is in excess of the construction cost. Total construction deposits were \$3,583,207 at December 31, 2025. All customer and security deposits are included as customer deposits and advances in current liabilities on the Statement of Net Position.

**Accrued Compensated Absences:** The Company accounts for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Employees earn sick leave that accumulates and is considered vested. As of December 31 of each year-end, unused accumulated sick leave balances up to a maximum of 200 hours roll forward and are available for employee use in subsequent periods. A liability for compensated absences is recognized for unused accumulated sick leave attributable to services

already rendered that is more likely than not to be used or paid and is measured using the employee’s pay rate as of the financial statement date, including applicable taxes.

All vacation pay must be used by the end of the calendar year and does not carry over from year-to-year. Vacation time not used by the end of the year will be forfeited. Any earned sick hours added on January 1 to the prior year rolled balance that cause an employee’s balance to exceed the maximum, will be paid out via a lump sum disbursement at the employee’s current hourly rate, in January of the same year. Total accrued absence balances were \$2,105,675 as of December 31, 2025. All accrued compensated absences are included within current liabilities on the Statement of Net Position.

**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 pension and OPEB related unamortized balances. Deferred inflows of resources consist of the CERS pension and OPEB related unamortized balances and any 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 losses on refunding, which is the difference between the reacquisition price and the net carrying amount of the old debt, is a deferred inflow or outflow of resources and amortized as a component of interest expense over the average remaining life of the old debt.
- Bond issuance costs are capitalized and amortized over the life of the respective bond issue using the effective interest method, pursuant to 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 costs incurred where paperwork has been submitted to the entity. These amounts are recorded as receivables and revenues from contributions at the time the documentation is submitted. The revenues from contributions are part of the change in net position. In 2025, the total amount of contributed capital was \$16.3 million and governmental grants was \$0.

**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 / Nonoperating 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. Nonoperating revenues and expenses are comprised of investment earnings, grant revenue, financing interest cost, legal settlement proceeds, 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 2025 was \$23,857,772.

**Union Employees:** The Company has employees who are covered by a collective bargaining agreement. At December 31, 2025, approximately 35% 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, 2025 includes:

Water	\$ 9,790,610
Other	7,153,713
	16,944,323
Allowance for doubtful accounts	(789,625)
	<u>\$ 16,154,698</u>

**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, 2022, and 2025 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, 2022, and 2025 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 from 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 \$21.7 million for 2025. 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.

**Operation 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 2025.

The Company has Bond and Capital-related accounts within cash and investments as of December 31, 2025 as follows:

**Restricted, Expendable Bond Accounts:**

Bond Service Accounts:	
Series 2015	\$ 1,156,221
Series 2019	1,162,940
Series 2022	1,147,946
Series 2025	1,182,241
Total restricted, expendable bond service accounts	4,649,348

Bond Construction and Acquisition Fund	\$ 67,714,978
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<b>Total Restricted, Expendable Bond Accounts</b>	<b>\$ 72,364,326</b>
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**Restricted Reserves – Noncurrent Assets:**

Bond Related Reserves:	
Bond reserve account	\$ 25,129,192

Capital Related Reserves:	
Depreciation Fund	1,024,274
Infrastructure Replacement Reserve Fund	17,123,097
Total capital related reserves	18,147,371

<b>Total Restricted Reserves – Noncurrent Assets</b>	<b>43,276,563</b>
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<b>Total</b>	<b>\$ 115,640,889</b>
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**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, 2025, in addition to the reserve funds and the bond service account balances with trustees, as reflected in Note 3, the Company had \$74,550,705 of cash deposits with financial institutions, collateralized by the financial institutions with pledged assets.

Information related to all cash and investments for December 31, 2025 is included below. Investments (long-term) are presented at fair value.

		Weighted Average Maturity in Years	Credit Rating
<b>Reserve and Bond Accounts:</b>			
Money market mutual funds	\$ 33,108,628	0.08	Aaa/AAA
US Treasury Securities	50,081,066	0.83	Aaa/AAA
Commercial Paper	14,718,407	0.47	Aaa/AAA
Total before unamortized net discount	97,908,101		
Unamortized net discount	(414,583)		
Total bond reserve and bond service	97,493,518		
Cash in bank – capital related reserves	18,147,371		
Total restricted reserves and restricted, expendable bond accounts	115,640,889		
<b>Short-term liquid investments:</b>			
U.S. Treasury securities	50,852,000	0.67	Aaa/AAA
Unamortized premium	256,384		
Total short-term liquid investments	51,108,384		
<b>Long-term liquid investments:</b>			
U.S. Treasury securities	27,727,000	1.37	Aaa/AAA
Unamortized premium	331,020		
Total long-term liquid investments	28,058,020		
<b>Cash:</b>			
Cash in bank	74,550,705		
Petty cash	4,144		
Checks outstanding and deposits in transit	(168,182)		
Cash and temporary investments	74,386,667		
Total cash and investments	\$ 269,193,960		

**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, 2025 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	\$ 33,108,628	\$ -	\$ -	\$ 33,108,628
U.S. Treasury Securities	28,058,020	-	-	28,058,020
Total	\$ 61,166,648	\$ -	\$ -	\$ 61,166,648

At December 31, 2025, Commercial Paper and the remaining U.S. Treasury securities had maturities at the time of purchase of less than twelve months. These are recorded at amortized cost of \$115,493,274.

**NOTE 6 – Utility Plant, Net**

The following is a schedule of utility plant for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, depreciable				
Buildings	\$ 271,858,566	\$ 25,582,447	\$ (2,119,219)	\$ 295,321,794
Machinery and equipment	164,308,795	13,603,940	(3,539,579)	174,373,156
Infrastructure	1,717,923,335	57,508,645	(4,254,689)	1,771,177,291
Total	2,154,090,696	96,695,032	(9,913,487)	2,240,872,241
Less accumulated depreciation for				
Buildings	(121,766,614)	(9,493,925)	183,634	(131,076,905)
Machinery and equipment	(110,799,397)	(11,088,255)	2,385,811	(119,501,841)
Infrastructure	(593,345,825)	(36,846,462)	1,319,230	(628,873,057)
Total	(825,911,836)	(57,428,642)	3,888,675	(879,451,803)
Capital assets, net	1,328,178,860	39,266,390	(6,024,812)	1,361,420,438
Capital assets not being depreciated				
Land	18,299,957	41,610	-	18,341,567
Construction in progress	175,943,862	189,875,417	(101,055,419)	264,763,860
Total	194,243,819	189,917,027	(101,055,419)	283,105,427
Utility plant, net	\$ 1,522,422,679	\$ 229,183,417	\$ (107,080,231)	\$ 1,644,525,865

NOTES TO FINANCIAL STATEMENTS

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, 2025 are summarized as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Current Portion</i>	<i>Noncurrent Portion</i>
Bonds payable	\$ 308,615,000	\$ 233,845,000	\$ (21,955,000)	\$ 520,505,000	\$ 25,090,000	\$ 495,415,000
KIA notes payable	759,469	537,850	(102,127)	1,195,192	642,030	553,162
Unamortized debt premiums and discounts	21,104,978	14,428,009	(3,051,086)	32,481,901	-	32,481,901
Net pension liability	70,847,927	-	(5,176,374)	65,671,553	-	65,671,553
Net OPEB liability	-	1,134,160	-	1,134,160	-	1,134,160
<b>Total long-term liabilities</b>	<b>\$ 401,327,374</b>	<b>\$ 249,945,019</b>	<b>\$ (30,284,587)</b>	<b>\$ 620,987,806</b>	<b>\$ 25,732,030</b>	<b>\$ 595,255,776</b>

**NOTE 8 – Bonds and Notes Payable**

Bonds and notes payable (without bond premiums or discounts) consisted of the following at December 31, 2025:

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	\$ 76,560,000
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	101,820,000
Water System Revenue Bonds, 2022 tax exempt, fixed interest rates ranging from 3.875% to 5.0% with maturities from 2023 through 2042	108,280,000
Water System Revenue Bonds, 2025 tax exempt, fixed interest rates ranging from 4.25% to 5.0% with maturities from 2026 through 2045	233,845,000
<b>Total bonds payable (publicly traded)</b>	<b>520,505,000</b>

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 \$43,507	657,342
Kentucky Infrastructure Authority (“KIA”), Drinking Water State Revolving Fund Loan Program, fixed interest rate of 0.25% to be paid in 2026	537,850
<b>Total notes payable</b>	<b>1,195,192</b>
<b>Total bonds and notes payable</b>	<b>521,700,192</b>
Less current portion	25,732,030
<b>Bonds and notes payable, less current portion</b>	<b>\$ 495,968,162</b>

All bonds are subject to optional redemption provisions.

NOTES TO FINANCIAL STATEMENTS

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.

The Company currently has three loan agreements with the KIA, the first of which originated in 2009. A second loan agreement with the KIA was executed in October 2024 to fund the identification and replacement of private lead services in economically disadvantaged areas of Louisville Metro. There were no draws made on this loan during 2025. The available principal on this loan is \$32,134,730 and it bears a fixed interest rate of 0.5%. The initial draw of funds is expected to take place in 2026, with interest payments commencing six months after the initial draw. A total of 70.9% of the principal, not to exceed \$22,791,330, is eligible for forgiveness. Principal that is forgiven will be credited to the loan balance on a pro-rata basis as principal is disbursed during construction. Principal payments will commence within one year of the completion of the project which is currently estimated to be June 2028. A third loan agreement with the KIA was executed in 2025 to fund a portion of the Roe Hill Road Area Water Main Extension and Pump Station project. The available principal on this loan is \$537,850 and bears a fixed interest rate of 0.25%. A request for the full principal amount was made in 2025 with the funds expected to be received in 2026. A total of 50% of the principal, not to exceed \$268,925, is eligible for forgiveness. Principal that is forgiven will be credited to the loan balance on a pro-rata basis as principal is disbursed during construction. The Company is planning to repay the principal balance in full during 2026 without penalty.

Maturities of bonds and notes payable, as of December 31, 2025, are as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
Year ended December 31			
2026	\$ 25,732,030	\$ 22,481,798	\$ 48,213,828
2027	29,421,273	21,358,404	50,779,677
2028	30,318,410	20,027,717	50,346,127
2029	30,195,589	18,656,438	48,852,027
2030	30,057,811	17,295,666	47,353,477
2031-2035	147,310,079	66,802,883	214,112,962
2036-2040	133,420,000	37,100,100	170,520,100
2041-2045	95,245,000	12,432,613	107,677,613
	<b>\$ 521,700,192</b>	<b>\$ 216,155,619</b>	<b>\$ 737,855,811</b>

**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 2025 dividend computed under this provision was \$34,865,053, resulting in an underpayment of \$4,825,729, which will be added to the 2026 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 \$23,500, whichever is less, to the plan. Participants over 50 can utilize additional catch-up limits as regulated by the IRS. 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). As of January 1, 2025, for employees in all three CERS tiers, the Company contributes \$0.80 for every \$1.00 of an employee’s contribution. However, the maximum Company contribution for employees in each tier is as follows: Tier One - \$625; Tier Two - \$800; Tier Three - \$2,250. The amount contributed to the plan by the Company and charged to expense was \$415,013 for the year ended December 31, 2025.

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 \$23,500, 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 the 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, the Kentucky Employee Retirement System, and the 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](http://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, 2025, participating employers contributed 19.71% (19.71% allocated to pension and 0.00% 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, 2025. Total contributions for the year were \$8,105,407 for pension and \$0 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 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 has been 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 contributions equal 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, 2024. An expected TPL was determined at June 30, 2025 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.50%
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%, which did not change from the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Expected Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review

the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the TPL.
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income:		
Core Bonds	13.00%	2.70%
Specialty Credit/High Yield	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected:		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.74% 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 6.5%, 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 at 5.5% or 1 percentage-point higher at 7.5% than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability - Non-hazardous	\$ 86,822,181	\$ 65,671,553	\$ 48,221,781

**Employer's Portion of the Collective Net Pension Liability:** The Company's proportionate share of the NPL, as indicated in the prior table, is \$65,671,553 or approximately 1.18%. The NPL was distributed based on 2025 actual employer contributions to the plan. The Company's previous year's proportionate share of the NPL was approximately 1.18%.

**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, 2024. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2025 using generally accepted actuarial principles.

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

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

**Pension Expense:** The Company was allocated pension expense of \$2,104,169 related to the CERS for the year ending June 30, 2025.

**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 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:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 2,177,143	\$ -
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	542,382
Differences between expected and actual investment earnings on plan investments	-	6,566,778
	2,177,143	7,109,160
Contributions subsequent to the measurement date	3,906,486	-
<b>Total</b>	<b>\$ 6,083,629</b>	<b>\$ 7,109,160</b>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$3,906,486 will be recognized as a reduction of NPL in the year ending December 31, 2025. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

<i>Year ending June 30:</i>	
2026	\$ 722,899
2027	(2,398,478)
2028	(2,133,873)
2029	(1,122,565)
	<b>\$ (4,932,017)</b>

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's 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, 2024. An expected total OPEB liability was determined at June 30, 2025 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.50%
Payroll growth rate	2.00%
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
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 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 6.26%, which increased from the prior year rate of 5.99%.
- (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 5.20% as reported in Bond Buyer's "20 – Bond GO Index" as of June 30, 2025. 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:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Equity:		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income:		
Core Bonds	13.00%	2.70%
Specialty Credit/High Yield	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected:		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
<b>Total</b>	<b>100.00%</b>	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.74% 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 6.26%, 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 at 5.26% or 1-percentage-point higher at 7.26% than the current rate for non-hazardous:

	1% Decrease (5.26%)	Current Discount Rate (6.26%)	1% Increase (7.26%)
Net OPEB (asset) liability	\$ 6,805,317	\$ 1,134,160	\$ (3,638,978)

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	\$ (2,621,044)	\$ 1,134,160	\$ 5,530,156

**Employer's Portion of the Collective OPEB (Asset) Liability:** The Company's proportionate share of the net OPEB (asset) liability, as indicated in the prior table, is \$1,134,160, or approximately 1.18%. The net OPEB liability was distributed based on 2025 actual employer contributions to the plan. The Company's previous year's proportionate share of the net OPEB liability was approximately 1.19%.

**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, 2024. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2025, 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 \$(4,387,533) related to the CERS for the year ending June 30, 2025.

**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 increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,678,493	\$ 9,750,486
Change of assumptions	756,464	649,400
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	742,370
Differences between expected and actual investment earnings on plan investments	-	2,568,550
	4,434,957	13,710,806
Contributions subsequent to the measurement date	549,884	-
Total	\$ 4,984,841	\$ 13,710,806

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$549,884, which includes the implicit subsidy reported of \$549,884, will be recognized as a reduction of net OPEB liability in the year ending December 31, 2025. 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:	
2026	\$ (5,187,133)
2027	(4,303,563)
2028	116,194
2029	98,653
	\$ (9,275,849)

**OPEB Plan Fiduciary Net Position:** Detailed information about the OPEB plan's 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:

	2025	2024
Liability – beginning of year	\$ 2,572,746	\$ 2,505,078
Accruals for current year claims and changes in estimate	1,595,279	1,300,077
Claims paid	(1,719,959)	(1,232,409)
Liability – end of year	\$ 2,448,066	\$ 2,572,746

Claims have not exceeded coverage in any of the years presented.

**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 \$155.7 million at December 31, 2025.

**NOTE 13 – Nonoperating Revenue-Legal Settlement**

**Background:** During fiscal year 2025, the Company recognized nonoperating revenue from the Phase One Action Fund legal settlement awards related to PFAS. The settlement provides payments to eligible public water systems administered based on allocation points assigned to each participant. Settlement proceeds are disbursed in a series of payments under a court-approved schedule.

**Recognition and Measurement:** The Company accounts for these inflows under GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, as voluntary nonexchange transactions (legal settlements). Settlement revenue is recognized when all eligibility requirements are met, the amounts are measurable, and receipt is probable. Future disbursement payments remain subject to conditions and allocation adjustments; accordingly, only payments that have been received or approved where receipt is measurable and probable as of year-end are recognized as revenue.

**Revenue Classification:** Settlement inflows are presented as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Position because they are not derived from principal ongoing operations.

**Measurement Basis and Presentation:** Settlement proceeds are recorded net of attorneys' fees and administrative costs that were withheld prior to distribution. The Company concluded that it did not have control over the gross proceeds before these deductions, and as such, the revenue recognized reflects the net amount.

In total, \$14.7 million of nonoperating legal settlement revenue was recognized during 2025, of which \$2.4 million was accrued within Accounts Receivable, Net on the Statement of Net Position, but not yet received. Future disbursements will be recognized as revenue when the amounts become measurable and probable.

# REQUIRED SUPPLEMENTARY INFORMATION

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

	2025	2024	2023
Company's proportion of the net pension liability	1.18%	1.18%	1.19%
Company's proportionate share of the net pension liability	\$ 65,671,553	\$ 70,847,927	\$ 76,498,832
Company's covered payroll	\$ 39,321,481	\$ 37,183,349	\$ 34,607,213
Company's proportionate share of the net pension liability as a percentage of its covered payroll	167.01%	190.54%	221.05%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	61.61%	57.48%

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 PENSION LIABILITY COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS

For the last 10 years

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

Notes:

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

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

For the last 10 years

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

Notes:

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

Continued

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

For the last 10 years

	2016
Company's proportion of the net pension liability	1.19%
Company's proportionate share of the net pension liability	\$ 58,797,619
Company's covered payroll	\$ 28,494,478
Company's proportionate share of the net pension liability as a percentage of its covered payroll	206.35%
Plan fiduciary net position as a percentage of the total pension liability	55.50%

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 (ASSET) LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS**

For the last 10 years

	2025	2024	2023
Company's proportion of the net OPEB (asset) liability	1.18%	1.19%	1.19%
Company's proportionate share of the net OPEB (asset) liability	\$ 1,134,160	\$ (2,051,249)	\$ (1,645,994)
Company's covered payroll	\$ 39,321,481	\$ 37,183,349	\$ 34,607,213
Company's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	2.88%	(5.52%)	(4.76%)
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	97.66%	104.89%	104.23%

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 PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS**

For the last 10 years

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

Notes:

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

Continued

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

For the last 10 years

	2019	2018
Company's proportion of the net OPEB (asset) liability	1.26%	1.27%
Company's proportionate share of the net OPEB (asset) liability	\$ 21,229,097	\$ 22,471,844
Company's covered payroll	\$ 31,845,498	\$ 31,370,897
Company's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	66.66%	71.63%
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	60.44%	57.62%

Notes:

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

	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 8,105,407	\$ 8,575,899	\$ 7,980,779	\$ 7,760,752	\$ 7,059,687
Contributions in relation to the statutorily required contribution	(8,105,407)	(8,575,899)	(7,980,779)	(7,760,752)	(7,059,687)
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	\$ 40,534,139	\$ 38,363,144	\$ 32,215,632	\$ 33,053,390	\$ 33,449,857
Contributions as a percentage of its covered payroll	20.00%	22.35%	24.77%	23.48%	21.11%

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

For the last 10 years

	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 6,481,652	\$ 5,651,953	\$ 4,994,870	\$ 4,402,741	\$ 3,848,753
Contributions in relation to the statutorily required contribution	(6,481,652)	(5,651,953)	(4,994,870)	(4,402,741)	(3,848,753)
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	\$ 32,757,355	\$ 32,166,042	\$ 31,805,010	\$ 30,405,336	\$ 29,125,528
Contributions as a percentage of its covered payroll	19.79%	17.57%	15.70%	14.48%	13.21%

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

For the last 10 years

**Changes in Assumptions and Benefit Terms:**

**2025:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2024:** There were no changes in assumptions and benefit terms since the prior measurement date.

**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 2024 Public Retirees of Kentucky Mortality Table (2024 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%.

- 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*

	2025	2024	2023
Statutorily required contribution	\$ -	\$ -	\$ 1,156,190
Contributions in relation to the statutorily required contribution	-	-	(1,156,190)
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	\$ 40,534,139	\$ 38,363,144	\$ 32,215,632
Contributions as a percentage of its covered payroll	0.00%	0.00%	3.59%

*Note:*

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

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

For the last 10 years

	2022	2021	2020
Statutorily required contribution	\$ 1,420,647	\$ 1,741,146	\$ 1,598,584
Contributions in relation to the statutorily required contribution	(1,420,647)	(1,741,146)	(1,598,584)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -
Company's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%
Company's covered payroll	\$ 33,053,390	\$ 33,449,875	\$ 32,757,355
Contributions as a percentage of its covered payroll	4.30%	5.21%	4.88%

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

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

For the last 10 years

	2019	2018
Statutorily required contribution	\$ 1,832,878	\$ 1,621,263
Contributions in relation to the statutorily required contribution	(1,832,878)	(1,621,263)
Annual contribution deficiency (excess)	\$ -	\$ -
Company's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%
Company's covered payroll	\$ 32,166,042	\$ 31,805,010
Contributions as a percentage of its covered payroll	5.70%	5.10%

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

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

For the last 10 years

**Changes in Assumptions and Benefit Terms:**

**2025:** 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 5.99% to 6.26%.
- 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.

**2024:** 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 5.93% to 5.99%.
- 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.

**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 2024 Public Retirees of Kentucky Mortality Table (2024 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%.

# SUPPLEMENTARY INFORMATION

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF INVESTMENTS

December 31, 2025

	Yield	Maturity	Cost
<b>Bond Reserve and Service Accounts</b>			
Treasury Obligation Fund (FOCXX)	3.360%	01/31/26	\$ 33,108,628
Commercial Paper	4.000%	06/22/26	4,905,228
Commercial Paper	4.010%	06/17/26	4,907,708
Commercial Paper	3.990%	06/22/26	4,905,471
US Treasury	4.625%	09/15/26	13,954,104
US Treasury	2.000%	11/15/26	35,712,379
			\$ 97,493,518
<b>Short-term Liquid Investments</b>			
US Treasury Note	4.625%	03/15/26	\$ 8,262,685
US Treasury Note	4.125%	06/15/26	8,997,485
US Treasury Note	4.625%	09/15/26	14,553,524
US Treasury Note	4.375%	12/15/26	19,294,690
			\$ 51,108,384
<b>Long Term Investments</b>			
US Treasury Note	4.250%	03/15/27	\$ 9,864,050
US Treasury Note	4.625%	06/15/27	18,193,970
			\$ 28,058,020

### SUMMARIZED SCHEDULE OF BOND ISSUES

December 31, 2025

#### 2025 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
Eighth supplemental resolution date	July 22, 2025
Original amount	\$233,845,000
Interest rate	4.25% 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, 2035

#### 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, 2009
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

**Kentucky Infrastructure Authority (KIA)**

Date of Assistance Agreement	July 1, 2024
Original amount	\$537,850*
Interest rate	0.25%
Principal & Interest payable	June 1 and December 1
Loan Maturity	December 1, 2026*

\* A total of 50% of the principal, not to exceed \$268,925, is eligible for forgiveness. Principal that is forgiven will be credited to the loan balance on a pro-rata basis as principal is disbursed during construction, expected in 2026. The Company is planning to repay the principal balance in full during 2026 without penalty.

**SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS  
AND ANNUAL DEBT SERVICE REQUIREMENTS**

Year ending December 31	2025 Bonds		Aggregate Bond Service
	Principal Installments	Interest	
2026	\$ 3,000,000	\$ 11,179,550	\$ 14,179,550
2027	7,155,000	11,029,550	18,184,550
2028	7,925,000	10,671,800	18,596,800
2029	8,330,000	10,275,550	18,605,550
2030	8,755,000	9,859,050	18,614,050
2031	9,205,000	9,421,300	18,626,300
2032	9,680,000	8,961,050	18,641,050
2033	10,175,000	8,477,050	18,652,050
2034	10,695,000	7,968,300	18,663,300
2035	11,245,000	7,433,550	18,678,550
2036	11,820,000	6,871,300	18,691,300
2037	12,430,000	6,280,300	18,710,300
2038	13,065,000	5,658,800	18,723,800
2039	13,735,000	5,005,550	18,740,550
2040	14,385,000	4,318,800	18,703,800
2041	15,010,000	3,707,438	18,717,438
2042	15,680,000	3,069,512	18,749,512
2043	16,405,000	2,363,913	18,768,913
2044	17,170,000	1,625,687	18,795,687
2045	17,980,000	831,575	18,811,575
	\$ 233,845,000	\$ 135,009,625	\$ 368,854,625

**SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS  
AND ANNUAL DEBT SERVICE REQUIREMENTS**

Year ending December 31	2022 Bonds		Aggregate Bond Service
	Principal Installments	Interest	
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
	\$ 108,280,000	\$ 40,807,525	\$ 149,087,525

**SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS  
AND ANNUAL DEBT SERVICE REQUIREMENTS**

Year ending December 31	2019 Bonds		Aggregate Bond Service
	Principal Installments	Interest	
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
	\$ 101,820,000	\$ 26,837,913	\$ 128,657,913

**SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS  
AND ANNUAL DEBT SERVICE REQUIREMENTS**

Year ending December 31	2015 Bonds		Aggregate Bond Service
	Principal Installments	Interest	
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
	\$ 76,560,000	\$ 13,457,048	\$ 90,017,048

**SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS  
AND ANNUAL DEBT SERVICE REQUIREMENTS**

Year ending December 31	KIA Note 1		Aggregate Note Service
	Principal Installments	Interest	
2026	\$ 104,180	\$ 12,629	\$ 116,809
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
	\$ 657,342	\$ 43,507	\$ 700,849

Year ending December 31	KIA Note 2		Aggregate Note Service
	Principal Installments	Interest	
2026	\$ 537,850	\$ -	\$ 537,850
	\$ 537,850	\$ -	\$ 537,850

\* A total of 50% of the principal, not to exceed \$268,925, is eligible for forgiveness. Principal that is forgiven will be credited to the loan balance on a pro-rata basis as principal is disbursed during construction, expected in 2026. The Company is planning to repay the principal balance in full during 2026 without penalty.

**OPERATING AND MAINTENANCE EXPENSES**

*Operating and maintenance expenses for year ended December 31, 2025*

Pumping	\$ 9,656,679
Water Treatment	18,909,241
Transmission and distribution	21,407,511
Customer accounts expenses	11,136,722
Administrative and general expenses	56,243,047
Operating expenses over (under) applied	1,721,639
<b>Total operating and maintenance expenses</b>	<b>\$ 119,074,839</b>

# CORPORATE INFORMATION

## BOARD OF WATER WORKS

As of December 31, 2025

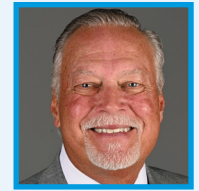
The Board of Water Works is the governing body of Louisville Water Company. It includes six members appointed by the Mayor of Louisville Metro, who also serves as an ex officio member. No more than three of the appointed members may be from the same political party. Board members serve staggered four-year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



**CRAIG GREENBERG**  
Mayor, Louisville Metro (ex officio)



**DR. SUNDEEP DRONAWAT**  
Chair - CEO, Samiteon



**JAKE BROWN**  
Founder and Principal, The Marian Group



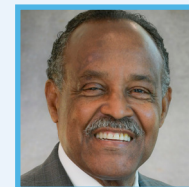
**CATHE DYKSTRA**  
Chief Possibility Officer, President and CEO of Family Scholar House



**JENNIFER FUST-RUTHERFORD**  
Charitable Principal, The Glenview Trust Company



**KEN MARSHALL**  
COO, UofL Health



**WILLIAM E. SUMMERS IV**  
Former Louisville Metro Deputy Mayor



**DR. SHARON KERRICK**, Associate Professor, Asst. Vice President Digital Transformation Center UofL

In April 2025, Kerrick concluded her 11-year tenure with the Board of Water Works which included serving as vice-chair for a period.

We thank her for her important leadership and expertise to help guide Louisville Water's work.

## EXECUTIVE LEADERSHIP TEAM



Left to Right

- CARLOS FELIX, VP, Chief Technology Officer
- TERRENCE SPENCE, VP, Human Resources & Labor Relations
- JENNIFER CROUGH, VP, Finance & Treasurer
- LARRY BRYANT, VP, Chief Engineer
- SPENCER BRUCE, President & Chief Executive Officer
- MICHAEL TIGUE, VP, Compliance, General Counsel & Corporate Secretary
- ADAM PURVIS, Local 1683 President
- DAVE VOGEL, Executive Vice President, Customer Service & Distribution Operations

Bottom Right

KELLEY DEARING SMITH, VP, Communications & Marketing



**LYNN PEARSON**, Vice President, Finance and Treasurer - Retired in September 2025  
We appreciate her decade of service with Louisville Water.



**JEFF KNOTT**, Vice President, Information Technology and Chief Information Officer - Retired in October 2025  
We appreciate his six years of leadership as we launched new technology and digital efforts.



**DAVID JARED**, AFSCME, Local 1683 President - Left office in February 2025  
We appreciate him stepping up from his role as Vice President of Local 1683 to serve as president in between elections.

*Not pictured:* Homer Barger III served as Local 1683 President from February – December 2025

# LOUISVILLE WATER



550 South Third Street  
Louisville, KY 40202  
(502) 569-3600

[LouisvilleWater.com](http://LouisvilleWater.com)