LOUISVILLE WATER COMPANY

Louisville, Kentucky

FINANCIAL STATEMENTS

December 31, 2020

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Water Works
Louisville Water Company
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisville Water Company (the "Company"), a component unit of the Louisville/Jefferson County Metro Government, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Water Company as of December 31, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Prior-Year Comparative Information

We have previously audited the Company's 2019 financial statements, and we expressed an unmodified audit opinion on the financial statements of the Company in our report dated May 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 the 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.

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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Louisville, Kentucky
May 18, 2021

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, 2020 as compared with the prior year.

Overview of the Financial Statements

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

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

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

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

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

Summary of 2020 Performance

The COVID-19 pandemic had a significant impact on the Company's 2020 Operating Revenue. Declines in commercial and industrial water consumption were substantial, and were only modestly offset by increases in residential and wholesale. As a result, the decline in overall water consumption was 4.9%. This notable drop in consumption limited the increase in revenue from the sale of water in 2020 to 1% versus a 2020 average rate increase of 3.5%. Alternative revenue streams have been a key strategy in replacing revenue lost as a result of declining retail water consumption, but in 2020 Other Operating Revenue was also negatively impacted by the pandemic, declining by 2.2%. Operating expense increased by 4.2%, driven by increases in Operating and Maintenance Expense and Depreciation and Amortization. As a result, Net Operating Revenue declined by $5.2 million for the year.

Net income before Distributions and Contributions totaled $33 million in 2020. The resulting dividend of $18.5 million, combined with free water and fire protection valued at $18.4 million, provided a total shareholder value of $36.9 million, a 2.1% decrease from 2019. This decrease was a result of a decline Louisville Metro's water consumption, along with a lower dividend, both of which were directly related to the pandemic.

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Financial Highlights

- Total Net Position increased by $26.2 million, or 2.7% primarily due to funds generated from operations, net of dividend paid to the Company's shareholder.
- Operating Revenues increased by $1.4 million, or 0.7%, due to a water rate increase of 3.5% effective January 1, 2020. Water sales in 2020 of 31.8 billion gallons were 1.6 billion gallons, or 4.9% lower than 2019 sales of 33.4 billion gallons.
- Operating Expenses increased by $6.6 million, or 4.2%, primarily as a result of increases in Operating and Maintenance Expense of $3.7 million and Depreciation and Amortization Expense of $3.2 million.
- Net Non-Operating Expense increased by $355,000, or 6.5%, due to higher interest on bonds.
- Net Income before Distributions and Contributions decreased by $5.6 million, or 14.4%.
- Dividends Paid and Payable declined by $477,000, as the three-year average of adjusted net income utilized for the dividend calculation decreased by $954,000.

Statement of Net Position

Total Net Position increased by $26.2 million, or 2.7%, in 2020 (see Figure 1). The largest portion of Net Position is Net Utility Plant, which increased by $51.3 million in 2020 as a result of additional investment in capital assets. The capital assets were funded by the 2019 bond issue, cash generated from operations and Contributions in Aid of Construction from developers, customers, and governmental agencies. Current Assets fell by $8.9 million in 2020, with Restricted, Expendable Bond Accounts declining $23.5 million as funds were withdrawn from the Bond Construction and Acquisition Fund for capital expenditures. This drop was partially offset by an increase in Cash and Short-term Liquid Investments of $12 million. Noncurrent Assets declined $18.7 million, as a result of a drop in Investments of $35 million, offset by an increase in Restricted Reserves of $16.4 million. Current Liabilities increased by $8 million in 2020, while Long-term Liabilities fell by $5 million. The increase in Current Liabilities was a result of an increase in Accounts Payable balances, primarily related to two significant capital projects. The decrease in Long-term Liabilities was a result of a reduction in Bonds Payable and related Unamortized Premium and Discount of $20.7 million, offset by combined growth in the Net Pension and OPEB Liabilities of $15.7 million.

Figure 1
Condensed Statement of Net Position

	2020	**2019**	**Difference**	**Percent**
Current Assets	$ 112,281,454	$ 121,140,142	$ (8,858,688)	(7.3%)
Noncurrent Assets	55,919,706	74,649,687	(18,729,981)	(25.1%)
Deferred Outflows of Resources	25,570,486	23,456,912	2,113,574	9.0%
Net Utility Plant	1,311,889,355	1,260,599,805	51,289,550	4.1%
Total Assets and Deferred Outflows of Resources	1,505,661,001	1,479,846,546	25,814,455	1.7%
Current Liabilities	54,360,827	46,348,361	8,012,466	17.3%
Long-term Liabilities	437,647,421	442,618,712	(4,971,291)	(1.1%)
Deferred Inflows of Resources	5,976,573	9,357,956	(3,381,383)	(36.1%)
Total Liabilities and Deferred Inflows of Resources	497,984,821	498,325,029	(340,208)	(0.1%)
Total Net Position	$1,007,676,180	$ 981,521,517	$ 26,154,663	2.7%

(Continued)

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues grew by $1.4 million, or 0.7%, in 2020 (see Figure 2) due to higher water revenue attributable to increased rates offset by a decline in non-water revenue. Total water consumption decreased by 1.6 billion gallons, or 4.9%, primarily as a result of the COVID-19 pandemic, with every customer class other than residential and wholesale down. The commercial and industrial customer classes account for the majority of the overall decline due to businesses which closed or scaled back operations during the pandemic. Conversely, residential water consumption increased during the pandemic as customers spent more time at home, but the increase was not nearly enough to overcome the reduction in non-residential categories. Other operating revenue decreased by 402,000 or 2.2% in 2020, due to a reduction in late fees and service deactivation fees as a result of the Company suspending those fees when the pandemic crisis started in mid-March, offset by an increase in revenue from the cross connection program.

The key components of Operating Expenses are: Operating and Maintenance Expenses; GASB Pension and OPEB Actuarial Adjustments; Depreciation and Amortization; Water and Fire Service Provided in Lieu of Taxes; and Loss from Sale and Salvage of Retired Assets. Operating Expenses increased $6.6 million, or 4.2% in 2020 primarily as a result of increases in Operating and Maintenance Expense and Depreciation and Amortization. Operating and Maintenance Expenses increased $3.7 million due to higher labor and labor related costs, contractual services, bad debt and donations to the Louisville Water Foundation for customer assistance. These increases were offset by a drop in chemicals and materials and supplies, plus across-the-board cost reductions implemented in response to falling water consumption and non-water revenue. Depreciation and Amortization increased by $3.2 million due to additional investment in capital assets.

Net Non-Operating Expense (non-operating expense less non-operating income) increased by $355,000 or 3.5% in 2020, due to higher bond interest costs, partially offset by increased earnings on funds invested. Interest expense rose due to a higher level of outstanding bonds resulting from the bond issuance in October 2019, and interest earnings increased as a result of investing those bond funds. The increase in earnings was tempered by the sharp decline in market rates that resulted from the pandemic's impact on the economy.

Net Income before Distributions and Contributions decreased by $5.6 million, or 14.4%, in 2020 as a result of the COVID-19 pandemic's impact on water sales and other operating revenues. The formula for computing the dividend, as established by covenant in the Series 2009 Bond Resolution (the Master Bond Resolution), is 50% of the average of current year and prior two fiscal years' net income after certain stated adjustments. Three-year averaging is used to compensate for the volatility in net income that results principally from the unpredictability of water consumption. Dividends Paid and Payable for 2020 fell by $477,000 or 2.5% as a direct result of the pandemic, though the magnitude was lessened by the three-year averaging formula.

Contributions in Aid of Construction are comprised of: pipeline contributions from developers for water main extensions and from governmental agencies for water main relocations; service installation fees from customers; apportionment warrant fees and tapping fees from customers to extend water service to unserved areas; and system development charges from customers for growth-related expansion. The level of capital contributions varies from year to year and is affected by economic cycles. These types of projects are fully funded or nearly fully funded by outside entities in advance of construction. Contributions in Aid of Construction decreased by $461,000, or 3.8%%, from the previous year reflecting a decrease in development activity resulting from the pandemic.

(Continued)

Figure 2 Condensed Statement of Revenues, Expenses and Changes in Net Position				
	2020	**2019**	**Difference**	**Percent**
Operating Revenue	$ 201,752,264	$ 200,368,668	$ 1,383,596	0.7%
Operating Expenses	162,894,576	156,295,983	6,598,593	4.2%
Net Operating Revenue	38,857,688	44,072,685	(5,214,997)	(11.8%)
Net Non-Operating Expense	5,813,484	5,458,426	355,058	6.5%
Net Income Before Distributions and Contributions	33,044,204	38,614,259	(5,570,055)	(14.4%)
Dividends Paid and Payable	18,542,855	19,019,796	(476,941)	(2.5%)
Contributions in aid of Construction	11,653,314	12,113,950	(460,636)	(3.8%)
Change in Net Position	26,154,663	31,708,413	(5,553,750)	(17.5%)
Net Position, Beginning of Year	981,521,517	949,813,104	31,708,413	3.3%
Net Position – End of Year	$1,007,676,180	$ 981,521,517	$ 26,154,663	2.7%

Statement of Cash Flows

Cash at the end of 2020 was $16 million higher than at the end of 2019 (see Figure 3).

- Cash from Operating Activities was $104 million, increasing by $1.6 million as compared to the prior year. More cash was received from customers compared to 2019. Cash paid to employees increased while cash paid to suppliers and others declined.
- Cash used by Capital and Related Financing Activities was $115.6 million in 2020, up $95.7 million from 2019. In 2019, $88.7 million of funds provided by the 2019 bond issuance offset uses of funds that year. In comparison, there was no such offset in 2020, and as a result cash used was substantially higher. Also, there was an increase in cash expended on the acquisition and construction of utility plant of $6.9 million in 2020.
- Cash provided by Investing Activities was $47.6 million in 2020 compared to cash used of $45.6 million in 2019. In 2019, cash proceeds from the 2019 bond issuance flowed into investments and bond reserves, resulting in a reduction in cash. Conversely, in 2020, cash was provided by the maturity of investments and withdraw of funds from the Bond Construction and Acquisition Fund.

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 $52.5 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				
	2020	**2019**	**Difference**	**Percent**
Cash Flows From				
Operating activities	$ 104,042,148	$ 102,461,615	$ 1,580,533	1.5%
Non-Capital Financing Activities	(20,169,617)	(16,818,317)	(3,351,300)	(19.9%)
Capital and Related Financing Activities	(115,571,912)	(19,851,646)	(95,720,266)	(482.2%)
Investing Activities	47,648,920	(45,618,575)	93,267,495	204.5%
Net Change in Cash	15,949,539	20,173,077	(4,223,538)	(20.9%)
Cash, beginning of year	35,269,732	15,096,655	20,173,077	133.6%
Cash, end of year	$ 51,219,271	$ 35,269,732	$ 15,949,539	45.2%

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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 Facilities Plan was prepared by CH2M in the latter part of 2015 and was adopted by the Board of Water Works in January 2016. The Company is currently developing the next Facilities Plan. Development of the CIP is based on the Company's current Facilities Plan and recommendations from the biennial inspection of facilities. The Company's current Facilities Plan covers the years from 2016 through 2035. The CIP approved by the Board of Water Works in late 2020 shows the Company plans to invest $633.9 million in improvements during 2021-2025.

The Company spent $98.9 million on its capital program in 2020, with the largest portion being spent on infrastructure renewal. As shown in Figure 4, total investment in Utility Plant was $1.3 billion as of the end of 2020, an increase of $51.3 million from the prior year. Infrastructure renewal projects account for 47% of the planned 2021 capital expenditures. In 2021, the Company will continue to make significant investments in main replacement and rehabilitation, transmission condition assessment and rehabilitation and new technology. Please see Note 6 for capital assets detail.

Figure 4
Condensed Summary of Capital Assets

	2020	2019	Difference	Percent
Capital assets	$ 1,823,050,346	$ 1,756,910,230	$ 66,140,116	3.8%
Less accumulated depreciation	(633,060,382)	(605,787,354)	(27,273,028)	(4.5%)
Capital assets, net	1,189,989,964	1,151,122,876	38,867,088	3.4%
Capital assets not being depreciated	121,899,391	109,476,929	12,422,462	11.3%
Utility plant, net	$ 1,311,889,355	$ 1,260,599,805	$ 51,289,550	4.1%

Debt Administration

As of December 31, 2020, the Company has principal outstanding of $48.7 million for the Series 2014A Bonds, $105.7 million for the Series 2015 Bonds, $147.3 million for the Series 2019 Bonds and $1.1 million for the KIA loan for a total of $302.8 million. The Series 2014A Bonds are not insured and are callable beginning in 2022. The Series 2015 Bonds are not insured and are callable beginning in 2025. The Series 2019 Bonds are not insured and are callable beginning in 2029. All the Company's bonds carry ratings of Aaa from Moody's and ratings of AAA from Standard & Poor's. The ratings on all of the Company's previously issued bonds were affirmed in October 2019, concurrent with the assignment of Aaa/AAA to its newly issued Series 2019 bonds. The Company's debt rating is among the highest in the United States for water utility revenue bonds. As shown in Figure 5, the Company's debt service coverage was 1.90 times in 2020, a decrease from the prior year as a result of the pandemic's negative impact on Income Available for Debt Service. Please see Notes 7 and 8 for long-term debt detail.

Figure 5
Debt Service Coverage

	2020	2019	Difference	Percent
Income Available for Debt Service	$ 53,629,712	$ 58,633,722	$ (5,004,010)	(8.5%)
Current Aggregate Net Debt Service	28,277,060	28,377,580	(100,520)	(0.4%)
Debt Service Coverage Times	1.90	2.07	(0.17)	(8.2%)

Economic Factors and Next Year's Budgets and Rates

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

Management believes that the Company's most challenging issue in 2021 will be dealing with the ongoing operational and financial impacts of COVID-19. While management anticipates some improvement as compared to 2020, the magnitude of the continuing impact is unknown at this time.

Management believes that the 2021 Budget adequately addresses all revenue requirements, which are defined as the summation of the operation, maintenance and capital costs that a utility must recover during the time period for which the rates will be in place. Water rates increased for retail water service by 3.5% on January 1, 2021. Water rates for wholesale customers are recommended to increase on July 1, 2021. 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, 2020 and 2019.

Figure 6
Computation of Stockholder's Equity

	2020	**2019**	**Difference**	**Percent**
Total Equity Capital - Beginning of Year	$ 637,830,493	$ 618,236,030	$ 19,594,463	3.2%
Plus: Income Before Distributions and Contributions	33,044,204	38,614,259	(5,570,055)	(14.4%)
Less: Dividends Paid and Payable	18,542,855	19,019,796	(476,941)	(2.5%)
Total Equity Capital - End of Year	652,331,842	637,830,493	14,501,349	2.3%
Less: Cumulative Deposits to Infrastructure Replacement Reserve	54,178,244	54,178,244	-	-
Stockholder's Equity Eligible for Return Computation	$ 598,153,598	$ 583,652,249	$ 14,501,349	2.5%

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 2020, Adjusted Net Income was $33 million. The return on equity earned by Louisville Water in 2020 was 5.52%.

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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**	**2019**	**2020**	**2021 Budget**	**Target**
Days of Funded Operations	(Cash + Short-Term Liquid Inv.) / (O&M Expense / 365)	325	362	271	>250
Capitalization	**Reliance on Debt Financing for Capital Investments**	**2019**	**2020**	**2021 Budget**	**Target**
Debt to Net Utility Plant	Debt / Net Utility Plant	25.27%	23.08%	20.19%	<35%
Debt to Capitalization	Debt / (Debt + Net Position)	24.50%	23.10%	21.59%	<24%
Coverage	**Capacity to Make Debt Service Payments**	**2019**	**2020**	**2021 Budget**	**Target**
Debt Service Coverage	Income Available for Debt Service / Debt Service	2.07	1.90	2.01	Current Target >2.0
Section 603 Rate Covenant	Net Revenue / Max Agg. Debt Service	290%	283%	316%	>130%
Debt Service Safety Margin	(1 - O&M Expense + Debt Service) / (Operating Revenue + Non-Operating Revenue)	44.80%	43.47%	44.56%	>30%
Profitability	**Profitability of the Company**	**2019**	**2020**	**2021 Budget**	**Target**
Return on Equity	(Net Income – Infrastructure Reserve Replacement ("IRR") + Bond Reserve Adjustment) / Stockholder Equity Eligible for Return	6.49%	5.52%	6.48%	>7.5%
Return on Net Utility Plant	Net Income / Net Utility Plant	3.06%	2.52%	3.08%	>3.5%
Net Profit Margin	Net Income / Operating Revenue	19.27%	16.38%	18.67%	>20%
Dividend Payout	**Measurement of Distribution of Profit as a Dividend**	**2019**	**2020**	**2021 Budget**	
Dividend Payout	Dividends Declared / (Net Income - IRR)	50.23%	56.12%	46.69%	
Total Transfers	(Water in Lieu of Taxes + Dividends) / Operating Revenue	18.84%	18.33%	17.71%	

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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.

LOUISVILLE WATER COMPANY

STATEMENT OF NET POSITION
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Current Assets		
Cash	$ 51,219,271	$ 35,269,732
Short-term liquid investments	34,673,441	38,595,236
Cash and short-term liquid investments	85,892,712	73,864,968
Accounts receivable, net	12,562,780	11,747,881
Contracts receivable, current portion	546,385	550,752
Materials and supplies	5,508,674	5,754,970
Restricted, expendable bond accounts	3,134,297	26,618,995
Other current assets	4,472,324	2,343,838
Accrued interest receivable	164,282	258,738
Total Current Assets	112,281,454	121,140,142
Utility Plant, net of accumulated depreciation	1,311,889,355	1,260,599,805
Noncurrent Assets		
Investments	-	34,968,113
Restricted reserves	49,382,249	32,939,108
Non-utility property	2,242,131	2,352,120
Unamortized bond issuance costs	1,446,135	1,627,990
Contracts receivable	488,044	584,889
Preliminary engineering charges	445,819	424,229
Prepaid regulatory assets	1,915,328	1,753,238
Total Noncurrent Assets	55,919,706	74,649,687
Total Assets	1,480,090,515	1,456,389,634
Deferred Outflows of Resources		
Pension	12,037,681	15,266,720
OPEB	12,899,174	7,668,379
Net loss on refunding of debt	633,631	521,813
Total Deferred Outflows of Resources	25,570,486	23,456,912
Total Assets and Deferred Outflows of Resources	$ 1,505,661,001	$ 1,479,846,546

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LOUISVILLE WATER COMPANY

STATEMENT OF NET POSITION
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	2020	2019
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 21,318,130	$ 13,441,765
Sewer collections (contra)	1,495,035	1,214,980
Customer deposits and advances	6,036,936	6,888,585
Tax collections payable	151,348	354,160
Accrued interest payable	1,450,034	1,910,534
Contracts payable, retainage percentage	2,243,397	2,242,536
Accrued payroll	308,817	555,280
Accrued vacation and sick leave	1,468,645	1,407,758
Insurance reserve	2,359,173	2,570,309
Bonds and notes payable, current portion	17,529,312	15,762,454
Total Current Liabilities	54,360,827	46,348,361
Long-Term Liabilities		
Customer advances for construction	301,349	302,900
Net pension liability	95,654,375	88,788,390
Net OPEB liability	30,106,670	21,229,097
Unamortized debt premium and discount	26,361,094	29,545,080
Bonds and notes payable, less current portion	285,223,933	302,753,245
Total Long-Term Liabilities	437,647,421	442,618,712
Total Liabilities	492,008,248	488,967,073
Deferred Inflows of Resources		
Pension	494,642	1,806,460
OPEB	5,481,931	7,551,496
Total Deferred Inflows Resources	5,976,573	9,357,956
Total Liabilities and Deferred Inflows of Resources	497,984,821	498,325,029
Net Position		
Net investment in capital assets	975,238,697	932,641,039
Unrestricted	(20,049,133)	12,917,843
Restricted, expendable – debt service	52,486,616	35,962,635
Total Net Position	1,007,676,180	981,521,517
Total Liabilities and Net Position	$ 1,505,661,001	$ 1,479,846,546

See accompanying Notes to Financial Statements.

LOUISVILLE WATER COMPANY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
Revenues		
Operating revenues	$ 201,752,264	$ 200,368,668
Operating Expenses		
Operating and maintenance expenses	86,699,450	82,983,534
GASB 68 pension actuarial adjustment	8,783,206	10,202,211
GASB 75 OPEB actuarial adjustment	1,577,213	265,202
Depreciation and amortization	44,616,511	41,378,676
Water and fire service provided in lieu of taxes	18,429,591	18,732,033
Loss from sale and salvage of retired assets	2,788,605	2,734,327
Total Operating Expenses	162,894,576	156,295,983
Net Operating Revenue	38,857,688	44,072,685
Non-Operating Income (Expense)		
Interest income	1,622,999	1,359,299
Building America Bond refund	-	1,111,599
Interest expense	(7,436,483)	(7,929,324)
Net Non-Operating Expense	(5,813,484)	(5,458,426)
Net Income Before Distributions and Contributions	33,044,204	38,614,259
Distributions and Contributions		
Dividends paid and payable	(18,542,855)	(19,019,796)
Contributions in aid of construction	11,653,314	12,113,950)
Total Distributions and Contributions, Net	(6,889,541)	(6,905,846)
Change in Net Position	26,154,663	31,708,413
Net Position, beginning of year	981,521,517	949,813,104
Net Position, end of year	$ 1,007,676,180	$ 981,521,517

See accompanying Notes to Financial Statements.

LOUISVILLE WATER COMPANY

STATEMENT OF CASH FLOWS
Year ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
Cash Flows from Operating Activities		
Cash received from customers	$ 181,936,180	$ 181,114,168
Cash paid to suppliers and others	(46,459,975)	(47,863,972)
Cash paid to employees for services or benefits	(31,434,057)	(30,788,581)
Net Cash Provided by Operating Activities	104,042,148	102,461,615
Cash Flows from Non-capital Financing Activities		
Dividends paid to stockholder	(20,169,617)	(16,818,317)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of utility plant	(97,241,957)	(90,300,797)
Acquisition of non-utility property	(1,668,332)	(1,155,775)
Bond proceeds	-	88,725,480
Contributions in aid of construction	11,755,387	11,590,142
Customer advances for construction	(1,551)	-
Preliminary engineering charges	(21,590)	(144,722)
Principal paid	(15,762,454)	(18,780,635)
Interest paid	(12,631,415)	(9,785,339)
Net Cash Used in Capital and Related Financing Activities	(115,571,912)	(19,851,646)
Cash Flows from Investing Activities		
Investment – purchases	-	(96,277,899)
Investment – maturities	38,561,000	75,594,843
Restricted cash reserves	(16,443,141)	(2,959,514)
Restricted, expendable bond accounts	23,484,698	(23,702,452)
Interest received	2,046,363	1,726,447
Net Cash Provided by (Used in) Investing Activities	47,648,920	(45,618,575)
Net change in cash	15,949,539	20,173,077
Cash, beginning of year	35,269,732	15,096,655
Cash, end of year	$ 51,219,271	$ 35,269,732

(Continued)

LOUISVILLE WATER COMPANY

STATEMENT OF CASH FLOWS
Year ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
Reconciliation of Net Operating Revenue to Net Cash Provided by Operating activities		
Net operating revenue	$ 38,857,688	$ 44,072,685
Adjustments to reconcile net operating revenue to cash provided by operating activities		
Depreciation	44,684,367	41,744,332
Amortization	1,878,239	1,339,857
Loss from sale and salvage of retired assets	2,788,605	2,734,327
Changes in current assets and liabilities		
Accounts receivable	(814,899)	785,335
Materials and supplies	246,296	1,045,478
Other current assets	(501,724)	(202,539)
Other deferred charges	(162,090)	748,590
Accounts payable	7,876,365	182,545
Accounts payable, sewer collections	280,055	(874,704)
Customer deposits	(851,649)	(433,098)
Tax collections payable	(202,812)	(143,850)
Accrued vacation and sick leave	60,887	(20,606)
Accrued payroll	(246,463)	58,285
Net pension liability	6,865,985	11,702,428
Net OPEB liability	8,877,573	(1,242,747)
Deferred outflows of resources – pension	3,229,039	(2,557,797)
Deferred outflows of resources – OPEB	(5,230,795)	(1,917,951)
Deferred inflows of resources – pension	(1,311,818)	1,057,580
Deferred inflows of resources – OPEB	(2,069,565)	3,425,900
Insurance reserve	(211,136)	957,565
Net Cash Provided by Operating Activities	$ 104,042,148	$ 102,461,615
Supplemental Information		
Non-cash capital and related financing activities		
Accrued utility plant acquisitions	$ 7,402,619	$ 3,400,721
Refunding portion of new bonds	$ -	$ $87,710,000

See accompanying Notes to Financial Statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

The Company is a component unit of Louisville/Jefferson County Metro Government ("Louisville Metro"). The Company is a legally separate entity that provides water utility services to the residents of the Louisville metropolitan area and charges fees for those services. It is shown as a discretely presented Component Unit because the Metro Government 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 $18.4 million were provided to Metro Government in lieu of taxes during the year ended December 31, 2020. The Company remitted $18,709,912 in dividends to Metro Government during Metro Government's fiscal year ended June 30, 2020.

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

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

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

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

Prior-Year Comparative Information: The Financial Statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's Financial Statements for the year ended December 31, 2019, from which summarized information was derived.

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Cash Flows: For purposes of the Statements of Cash Flows, the Company considers all unrestricted highly liquid investments with a remaining maturity of twelve months or less to be short-term investments. Significant noncash transactions during the year that were excluded from the Statement of Cash Flows consisted of accrued utility plant acquisitions of $7,402,619.

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

- GASB Statement No. 83, *Certain Asset Retirement Obligations.* The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs) including establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Adoption of this standard had no impact on the Company's financial position or results of operations.

- GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Adoption of this standard had no impact on the Company's financial position or results of operations.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Adoption of this standard resulted in additional disclosures related to the Company’s debt in Note 8.

- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Adoption of this standard had no impact on the Company's financial position or results of operations.

- GASB Statement No. 92, *Omnibus 2020*: Establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements in paragraphs 4, 5, 11, and 13 of this Statement are effective immediately upon issuance, but had no impact on the Company's financial position or results of operations.

- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirement in paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and the requirement in paragraph 5 of this Statement are effective immediately, but had no impact on the Company's financial position or results of operations.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for fiscal years beginning after December 15, 2020.

- GASB Statement No. 92, *Omnibus 2020*: Establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. Future requirements of Statement No. 92 are effective as follows: (a) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2021. (b) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2021. (c) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* The objective of this Statement is to establish standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2021.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Capitalized Interest: The Company follows the practice of capitalizing interest during construction on capital projects that are debt financed. Total interest cost of $9,061,852 was incurred during the year of which $1,625,369 was capitalized during 2020.

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

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

Depreciation expense for 2020 was $44,784,285 of which $1,946,095 was allocated to other operating expenses.

Non-utility Property: Non-utility property is stated at cost of acquisition or construction, including certain indirect costs. Direct purchases with a unit cost of $2,500 or more and a useful life of greater than one year are capitalized. The Company applies the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property. Depreciation expense of non-utility plant was $1,778,321 for 2020.

Prepaid Regulatory Assets: The Company capitalizes and depreciates abandoned plant assets generally over five to eight years. The prepaid regulatory assets have historical cost of $6,045,425. The carrying value, stated net of depreciation, was $1,915,328 as of December 31, 2020.

Customer Deposits: The Company has implemented a security deposit policy for all customers applying for residential, commercial or industrial water service who: (i) have had a previous account in bad debt or bankruptcy status; or (ii) have had a service disconnected due to nonpayment within the last three years of service; or (iii) have a utility score below the threshold set by the Company. The Company refunds the security deposit when: (i) a customer closes the account; or (ii) the customer has paid their bill in a timely manner for three consecutive years. Additionally, the Company charges a security deposit for temporary meters for construction. Total security deposits at December 31, 2020 were $3,421,794.

The Company also requires customers to make a deposit for the cost of construction of pipelines and special services. Deposits are refundable to the extent the deposit is in excess of the construction cost. Total construction deposits were $2,615,142 at December 31, 2020. All customer and security deposits are included as customer deposits and advances in current liabilities on the Statement of Net Position.

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation and Sick Leave: Employees' vested and accumulated vacation and sick leave is recorded as a liability on the Statement of Net Position. Accrued vacation and sick leave balances were $1,468,645 as of December 31, 2020.

Customer Advances for Construction: The customer advances for construction accounts reflect the anticipated long-term liability for refunding construction costs based on future new service installations within certain time limits up to 20 years. Once the refund period has expired, any balance is recorded as a contribution in aid of construction in the Company's Statement of Revenues, Expenses and Changes in Net Position. Total customer advances for construction at December 31, 2020 were $301,349.

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

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

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

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

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

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

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- *Net Investment in Capital Assets:*
  Capital assets, net of accumulated depreciation and outstanding principal balances of debt and related liabilities attributable to the acquisition, construction or improvement of those assets.

- *Restricted: Restricted net position includes two categories:*
  Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the Company.

  Expendable - Net position whose use by the Company is subject to externally imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire by the passage of time.

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

Operating / Non-Operating Revenues and Expenses: Operating Revenues are those revenues that are generated directly from the primary activities of the Company. These revenues include water service and commodity charges, late and other water-related fees, contract operations and service line warranty fees, and compensation for service provided to others. Operating expenses are expenses incurred through the activities of operating and maintaining the Company, including depreciation, water provided in lieu of taxes, and loss on disposition of assets. Non-operating revenues and expenses are comprised of investment and financing earnings and interest cost.

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 2020 was $18,429,591.

Union Employees: The Company has employees who are covered by a collective bargaining agreement. At December 31, 2020, approximately 40% of the Company's full-time employees were covered by the collective bargaining agreement. This 7-year agreement expires on March 1, 2023.

Risks and Uncertainties: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Company could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

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NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable, net, as of December 31, 2020 includes:

Water	$ 12,389,785
Other	2,022,020
	14,411,805
Allowance for doubtful accounts	(1,849,025)
	$ 12,562,780

NOTE 3 – 2009 MASTER BOND RESOLUTION FUNDS

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

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

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

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

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

Infrastructure Replacement Reserve Fund: The Resolution provides for the funding of the Infrastructure Replacement Reserve Fund to support infrastructure replacement and rehabilitation projects. Budgeted funding was $500,000 for 2020. This fund is collateralized by pledged assets with the Federal Reserve for those funds that exceed the $250,000 FDIC insurance limit.

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

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

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NOTE 3 – 2009 MASTER BOND RESOLUTION FUNDS (Continued)

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 2020.

The Company has Bond and Capital related accounts within cash and investments as of December 31, 2020 as follows:

Restricted, Expendable Bond Accounts:	
Bond Service Accounts:	
Series 2014A	$ 532,590
Series 2015	934,108
Series 2019	1,637,669
Total restricted, expendable bond service accounts	3,104,367
Bond Construction and Acquisition Fund	29,930
Total Restricted, Expendable Bond Accounts	$ 3,134,297
Restricted Reserves – Noncurrent Assets:	
Bond Related Reserves:	
Bond reserve account	$ 14,723,530
Capital Related Reserves:	
Depreciation Fund	18,639,273
Infrastructure Replacement Reserve Fund	16,019,446
Total capital related reserves	$ 34,658,719
Total Restricted Reserves – Noncurrent Assets	$ 49,382,249
Total	$ 52,516,546

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 bond resolutions.

At December 31, 2020, in addition to the reserve funds and the bond service account balances with trustees, as reflected in Note 3, the Company had $50,186,108 of cash deposits with financial institutions held in temporary investments collateralized by the financial institutions with pledged assets.

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NOTE 4 – CASH AND INVESTMENTS (Continued)

Information related to all cash and investments for December 31, 2020 is included below. Investments (long-term) are presented at fair value.

		Weighted Average Maturity in Years	Credit Rating
Reserve and Bond Accounts:			
Money market mutual funds	$ 9,633,849	0.08	Aaa
Repurchase agreement (GIC)	8,223,978	6.97	Aaa/AA+
Total bond reserve and bond service	17,857,827		
Cash in bank – capital related reserves	34,658,719		
Total restricted reserves and restricted, expendable bond accounts	52,516,546		
Short-term liquid investments:			
U.S. Treasury securities	34,563,000	0.35	Aaa/AA+
Unamortized premium	110,441		
Total short-term liquid investments	34,673,441		
Cash:			
Cash in bank	50,186,108		
Petty cash	4,296		
Checks outstanding and deposits in transit	1,028,867		
Cash and temporary investments	51,219,271		
Total cash and investments	$ 138,409,258		

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, 2020 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	$ 9,633,849	$ -	$ -	$ 9,633,849
Repurchase agreement (GIC)	-	8,223,978	-	8,223,978
Total	$ 9,633,849	$ 8,223,978	$ -	$ 17,857,827

NOTE 6 – UTILITY PLANT, NET

The following is a schedule of utility plant for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, depreciable				
Buildings	$ 219,282,336	$ 5,833,166	$ (1,794,382)	$ 223,321,120
Machinery and equipment	119,990,720	18,484,611	(6,021,721)	132,453,610
Infrastructure	1,417,637,174	64,824,441	(15,185,999)	1,467,275,616
Total	1,756,910,230	89,142,218	(23,002,102)	1,823,050,346
Less accumulated depreciation for				
Buildings	(84,096,950)	(7,423,045)	1,573,945	(89,946,050)
Machinery and equipment	(64,976,018)	(9,035,582)	5,958,191	(68,053,409)
Infrastructure	(456,714,386)	(29,730,953)	11,384,416	(475,060,923)
Total	(605,787,354)	(46,189,580)	18,916,552	(633,060,382)
Capital assets, net	1,151,122,876	42,952,638	(4,085,550)	1,189,989,964
Capital assets not being depreciated				
Land	13,561,356	178,380	-	13,739,736
Construction in progress	95,915,573	93,965,480	(81,721,398)	108,159,655
Total	109,476,929	94,143,860	(81,721,398)	121,899,391
Utility plant, net	$ 1,260,599,805	$ 137,096,498	$ (85,806,948)	$ 1,311,889,355

(Continued)

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2020, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 317,275,000	$ -	$ (15,670,000)	$ 301,605,000	$ 17,435,000	$ 284,170,000
KIA note payable	1,240,699	-	(92,454)	1,148,245	94,312	1,053,933
Unamortized debt premiums and discounts	29,545,080	-	(3,183,986)	26,361,094	-	26,361,094
Customer advances for construction	302,900	-	(1,551)	301,349	-	301,349
Net pension liability	88,788,390	6,865,985	-	95,654,375	-	95,654,375
Net OPEB liability	21,229,097	8,877,573	-	30,106,670	-	30,106,670
Total long-term liabilities	$ 458,381,166	$ 15,743,558	$ (18,947,991)	$ 455,176,733	$ 17,529,312	$ 437,647,421

NOTE 8 – BONDS AND NOTES PAYABLE

Bonds and notes payable (without bond premium or discounts) consisted of the following at December 31, 2020:

Bonds payable (direct borrowings)	
Water System Revenue Bonds, 2014A tax exempt, fixed interest rates ranging from 2.5% to 5.0% with maturities from 2014 through 2031	$ 48,695,000
Water System Revenue Bonds, 2015 tax exempt, fixed interest rates ranging from 2.0% to 5.0% with maturities from 2016 through 2035	105,650,000
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	147,260,000
Total bonds payable (direct borrowings)	301,605,000
Notes payable (direct placement debt)	
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 $136,644	1,148,245
Total bonds and notes payable	302,753,245
Less current portion	17,529,312
Bonds and notes payable, less current portion	$ 285,223,933

All bonds are subject to optional redemption provisions.

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

(Continued)

NOTE 8 – BONDS AND NOTES PAYABLE (Continued)

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

Maturities of bonds and notes payable, as of December 31, 2020, are as follows:

	Principal	Interest	Total
Year ended December 31			
2021	$ 17,529,312	$ 11,607,465	$ 29,136,777
2022	19,251,208	10,771,819	30,023,027
2023	19,498,142	9,851,435	29,349,577
2024	19,530,114	8,920,113	28,450,227
2025	19,557,127	7,988,600	27,545,727
2026-2030	93,872,264	28,691,073	122,563,337
2031-2035	73,815,078	12,505,282	86,320,360
2036-2039	39,700,000	2,658,813	42,358,813
	$ 302,753,245	$ 92,994,600	$ 395,747,845

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 2020 dividend computed under this provision was $18,542,855, resulting in an overpayment of $1,881,786 which will be subtracted from 2021 dividend payments.

NOTE 10 – DEFERRED COMPENSATION PLANS

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. An employee may defer up to 100% of adjusted gross compensation or $19,500, whichever is less, to the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Plan assets and liabilities are not recorded by the Company. The Company contributes $0.25 for every $1.00 of an employee's contribution up to $1,500 ($375 maximum Company contribution) to the plan. The amount contributed to the plan by the Company and charged to expense was $92,020 for the year ended December 31, 2020.

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

(Continued)

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

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

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

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

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

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

***Members whose participation began before 8/1/2004*:**

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

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

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

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

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

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

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.

(Continued)

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

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, 2020, participating employers contributed 24.06% (19.30% allocated to pension and 4.76% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings.

The Company has met 100% of the contribution funding requirement for the year ended December 31, 2020. Total contributions for the year were $6,481,652 for pension and $1,598,584 for OPEB.

Members whose participation began before 9/1/2008:

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

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

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

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

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

PENSION INFORMATION

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2019. An expected TPL was determined at June 30, 2020 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

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

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

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

Discount rate assumptions:

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

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth:		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity:		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

(Continued)

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

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

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net position liability - Non-hazardous	$ 117,962,659	$ 95,654,375	$ 77,182,268

Employer's Portion of the Collective Net Pension Liability: The Company's proportionate share of the NPL, as indicated in the prior table, is $95,654,375 or approximately 1.25%. The NPL was distributed based on 2020 actual employer contributions to the plan. The Company's previous year's proportionate share of the NPL was approximately 1.26%.

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, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2020 using generally accepted actuarial principles.

Changes in Assumptions and Benefit Terms: 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.

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 $15,120,758 related to the CERS for the year ending June 30, 2020.

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

(Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,385,317	$ -
Change of assumptions	3,735,142	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	182,108	494,642
Differences between expected and actual investment earnings on plan investments	2,393,630	-
	8,696,197	494,642
Contributions subsequent to the measurement date	3,341,484	-
Total	$ 12,037,681	$ 494,642

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $3,341,484 will be recognized as a reduction of NPL in the year ending December 31, 2021. 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:	
2021	$ 3,805,523
2022	2,309,015
2023	1,125,681
2024	961,336
	$ 8,201,555

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

OPEB INFORMATION

Total OPEB Liability: The total other postemployment benefits plan (“OPEB”) liability was determined by an actuarial valuation as of June 30, 2019. An expected total OPEB liability was determined at June 30, 2020 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service years, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.10% at January 1, 2019 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.

(Continued)

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

Discount rate assumptions:

(a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.34%, which decreased from the prior year rate of 5.68%.

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

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

(d) **Municipal Bond Rate**: The discount rate determination used a municipal bond rate of 2.45% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth:		
US Equity	18.75%	4.30%
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity:		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies:		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	15.00	4.10
Total	100.00%	

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

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

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

The following presents the Company's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the Company's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate for non-hazardous:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Net OPEB liability	$ 38,678,233	$ 30,106,670	$ 23,066,561

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 23,310,088	$ 30,106,670	$ 38,354,483

Employer's Portion of the Collective OPEB Liability: The Company's proportionate share of the net OPEB liability, as indicated in the prior table, is $30,106,670, or approximately 1.25%. The net OPEB liability was distributed based on 2020 actual employer contributions to the plan. The Company's previous year's proportionate share of the net OPEB liability was approximately 1.26%.

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, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

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

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

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 $4,024,252 related to the CERS for the year ending June 30, 2020.

(Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,030,193	$ 5,034,121
Change of assumptions	5,236,781	31,845
Changes in proportion and differences between employer contributions and proportionate shares of contributions	180,840	415,965
Differences between expected and actual investment earnings on plan investments	1,000,675	-
	11,448,489	5,481,931
Contributions subsequent to the measurement date	1,450,685	-
Total	$ 12,899,174	$ 5,481,931

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $1,450,685, which includes the implicit subsidy reported of $626,568, will be recognized as a reduction of net OPEB liability in the year ending December 31, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2021	$ 1,597,116
2022	1,893,258
2023	1,325,995
2024	1,229,340
2025	(79,151)
	$ 5,966,558

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

NOTE 12 – CONTINGENCIES AND COMMITMENTS

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

The Company is self-insured for workers’ compensation claims with excess insurance in place with a specific (per occurrence) retention of $600,000, an estimated policy aggregate retention of $$1,813,005 (approximately 525% of normal premium based upon payroll estimates) and an aggregate limit of $3,000,000. Workers’ compensation claims are managed by a third-party administrator with oversight by the Company.

NOTE 12 – CONTINGENCIES AND COMMITMENTS (Continued)

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

	2020	2019
Liability – beginning of year	$ 2,570,309	$ 1,612,744
Accruals for current year claims and changes in estimate	1,394,194	1,947,299
Claims paid	(1,605,330)	(989,734)
Liability – end of year	$ 2,359,173	$ 2,570,309

Claims have not exceeded coverage for the last two years.

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

Construction Commitments: The estimated cost to complete construction projects under contract was approximately $74.6 million at December 31, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE WATER COMPANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMPANY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
December 31, 2020

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

Notes:

1) The amounts presented for each fiscal year were determined as of the June 30 year-end that occurred within the fiscal year.
2) GASB 68 requires this schedule to show information for 10 years. However, until a full 10-year trend is compiled, the Company is presenting information for those years for which information is available.

LOUISVILLE WATER COMPANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMPANY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
December 31, 2020

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

Notes:

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

LOUISVILLE WATER COMPANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMPANY'S PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
December 31, 2020

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

Note:

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

(Continued)

Changes in Assumptions and Benefit Terms:

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

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

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

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

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

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

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

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

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

LOUISVILLE WATER COMPANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMPANY'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS
December 31, 2020

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

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

Changes in Assumptions and Benefit Terms:

2020: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:
- The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34%.
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs.
- Actuarial information has been updated to reflect anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December 2019

2019: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:
- Salary increases were increased from 3.05% to range of 3.30% - 10.30%.
- The Mortality Table was changed from RP-2000 to Pub-2010.

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

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:
- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

SUPPLEMENTARY INFORMATION

	Yield	Maturity	Par	Fair Market Value
Bond Reserve Account -				
Treasury Obligation Fund (FOCXX)	0.01%	01/31/21	$ 6,499,552	$ 6,499,552
Bayerische Landesbank Repo	3.46%	11/15/25	3,916,464	3,916,464
Bayerische Landesbank Repo	3.46%	11/15/29	4,307,514	4,307,514
Bond Service Account - Series 2014A				
Treasury Obligation Fund (FOCXX)	0.01%	01/31/21	532,590	532,590
Bond Service Account - Series 2015				
Treasury Obligation Fund (FOCXX)	0.01%	01/31/21	934,108	934,108
Bond Service Account - Series 2019				
Treasury Obligation Fund (FOCXX)	0.01%	01/31/21	1,637,669	1,637,669
Bond Service Account - Series 2019 COI				
Treasury Obligation Fund (FOCXX)	0.01%	01/31/21	29,930	29,930
Treasury Portfolio				
US Treasury Note	1.63%	03/15/21	14,823,000	14,823,000
US Treasury Note	1.63%	06/15/21	19,740,000	19,740,000
			$ 52,420,827	$ 52,420,827

Note:
US Treasury Notes with less than one year until maturity will be presented at PAR value and will vary from Statement of Net Position by unamortized premium of $110,441.

(Continued)

2019 Series Bond Issue
The tax-exempt Water System Revenue Bonds and Refunding Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

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

2015 Series Bond Issue
The tax-exempt Water System Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

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

2014A Series Bond Issue
The tax-exempt Water System Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

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

Kentucky Infrastructure Authority (KIA)

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

(Continued)

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS
AND ANNUAL DEBT SERVICE REQUIREMENTS
December 31, 2020

	2019 Bonds		Aggregate
Year ending December 31	**Principal Installments**	**Interest**	**Bond Service**
2021	$ 8,525,000	$ 6,191,800	$ 14,716,800
2022	9,665,000	5,765,550	15,430,550
2023	9,490,000	5,282,300	14,772,300
2024	9,085,000	4,807,800	13,892,800
2025	8,675,000	4,353,550	13,028,550
2026	8,260,000	3,919,800	12,179,800
2027	7,790,000	3,506,800	11,296,800
2028	7,355,000	3,117,300	10,472,300
2029	6,230,000	2,749,550	8,979,550
2030	5,050,000	2,438,050	7,488,050
2031	3,805,000	2,185,550	5,990,550
2032	7,750,000	1,995,300	9,745,300
2033	6,625,000	1,607,800	8,232,800
2034	5,305,000	1,409,050	6,714,050
2035	3,950,000	1,249,900	5,199,900
2036	11,580,000	1,131,400	12,711,400
2037	10,425,000	784,000	11,209,000
2038	9,135,000	497,313	9,632,313
2039	8,560,000	246,100	8,806,100
	$ 147,260,000	$ 53,238,913	$ 200,498,913

(Continued)

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS
AND ANNUAL DEBT SERVICE REQUIREMENTS
December 31, 2020

	2015 Bonds		Aggregate
Year ending December 31	**Principal Installments**	**Interest**	**Bond Service**
2021	$ 5,110,000	$ 3,717,919	$ 8,827,919
2022	5,560,000	3,462,419	9,022,419
2023	5,845,000	3,184,419	9,029,419
2024	6,145,000	2,892,169	9,037,169
2025	6,430,000	2,584,919	9,014,919
2026	6,660,000	2,327,719	8,987,719
2027	6,860,000	2,127,919	8,987,919
2028	7,070,000	1,922,119	8,992,119
2029	7,285,000	1,710,019	8,995,019
2030	7,510,000	1,491,469	9,001,469
2031	7,745,000	1,256,781	9,001,781
2032	7,980,000	1,024,431	9,004,431
2033	8,225,000	785,031	9,010,031
2034	8,480,000	538,281	9,018,281
2035	8,745,000	273,279	9,018,279
	$ 105,650,000	$ 29,298,893	$ 134,948,893

	2014A Bonds		Aggregate
Year ending December 31	**Principal Installments**	**Interest**	**Bond Service**
2021	$ 3,800,000	$ 1,675,250	$ 5,475,250
2022	3,930,000	1,523,250	5,453,250
2023	4,065,000	1,366,050	5,431,050
2024	4,200,000	1,203,450	5,403,450
2025	4,350,000	1,035,450	5,385,450
2026	4,430,000	926,700	5,356,700
2027	4,525,000	815,950	5,340,950
2028	4,635,000	680,200	5,315,200
2029	4,760,000	541,150	5,301,150
2030	4,910,000	374,550	5,284,550
2031	5,090,000	178,150	5,268,150
	$ 48,695,000	$ 10,320,150	$ 59,015,150

(Continued)

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS
AND ANNUAL DEBT SERVICE REQUIREMENTS
December 31, 2020

	KIA Note		Aggregate
Year ending December 31	Principal Installments	Interest	Note Service
2021	$ 94,312	$ 22,496	$ 116,808
2022	96,208	20,600	116,808
2023	98,142	18,666	116,808
2024	100,114	16,694	116,808
2025	102,127	14,681	116,808
2026	104,180	12,629	116,809
2027	106,274	10,535	116,809
2028	108,410	8,398	116,808
2029	110,589	6,219	116,808
2030	112,811	3,997	116,808
2031	115,078	1,729	116,807
	$ 1,148,245	$ 136,644	$ 1,284,889

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES
Year ended December 31, 2020

Operating and maintenance expenses for year ended December 31, 2020

Pumping	$ 8,347,155
Water Treatment	11,889,275
Transmission and distribution	16,267,810
Customer accounts expenses	11,525,641
Administrative and general expenses	37,013,694
Operating expenses over (under) applied	1,655,875
Total operating and maintenance expenses	$ 86,699,450