

NEW ISSUE

RATINGS: See "RATINGS" herein

In the opinion of Wyatt, Tarrant & Combs, LLP, Bond Counsel, (i) under the Internal Revenue Code as presently enacted and construed and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," interest on the Series 2024A Bonds is excludable from gross income for Federal income tax purposes and (ii) the Series 2024A Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. See "TAX TREATMENT" herein.

\$104,280,000
LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
SEWER AND DRAINAGE SYSTEM REVENUE BONDS, SERIES 2024A



Dated: Date of Delivery

Due Date: See Inside Cover

Interest on the above captioned Bonds (herein the "Series 2024A Bonds") will be payable from the dated date, on each May 15 and November 15, commencing November 15, 2024. The Series 2024A Bonds mature on May 15 of the respective years shown on the inside cover.

The Series 2024A Bonds are being issued pursuant to the provisions of Chapter 76 of the Kentucky Revised Statutes (the "Act"), a Revenue Bond Resolution adopted by the District on December 7, 1992, as heretofore amended and as further amended and supplemented by the Thirty-Fourth Supplemental Sewer and Drainage System Revenue Bond Resolution adopted by the Louisville and Jefferson County Metropolitan Sewer District (the "District") on March 25, 2024 (collectively, the "Resolution"). The holders of the Series 2024A Bonds shall, on a parity with the holders of all other bonds outstanding under the Resolution (collectively, the "Bonds"), have a priority lien on and security interest in the revenues of the District derived from the operation of the District's sewer and drainage system (the "System"). The District reserves the right to issue additional bonds and refunding bonds on a parity with the outstanding Bonds, subject to satisfaction of the conditions set forth in the Resolution. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024A BONDS" herein.

The Series 2024A Bonds will be fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2024A Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Series 2024A Bonds to the ultimate purchasers. See "Book-Entry System" and APPENDIX E herein. Principal and interest on the Series 2024A Bonds is payable at the designated office of The Bank of New York Mellon Trust Company, N.A, as Bond Registrar and Paying Agent (the "Paying Agent and Bond Registrar").

The Series 2024A Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein.

The Series 2024A Bonds are special and limited revenue obligations of the District and do not constitute a debt, liability or general obligation of the District, the Commonwealth of Kentucky or any political subdivision or taxing authority thereof, including the Louisville/Jefferson County Metro Government or the County of Jefferson, Kentucky, within the meaning of the Constitution and laws of the Commonwealth of Kentucky. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024A BONDS" herein.

The Series 2024A Bonds are offered when, as and if issued, subject to the approving legal opinion of Wyatt, Tarrant & Combs, LLP, Bond Counsel, Louisville, Kentucky. Certain legal matters have been passed upon for the District by its General Counsel, Kellie S. Watson, Esq. The Series 2024A Bonds are expected to be available for delivery on or about August 20, 2024.

Dated: August 6, 2024

\$104,280,000
LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
SEWER AND DRAINAGE SYSTEM REVENUE BONDS, SERIES 2024A

Dated: Date of Delivery

Due: May 15, as shown below

Due May 15	Principal Amount	Interest Rate	Yield	CUSIP 546589[†]
2025	\$ 990,000	5.000%	2.700%	2H4
2026	1,515,000	5.000%	2.700%	2J0
2027	65,000	5.000%	2.650%	2K7
2028	765,000	5.000%	2.650%	2L5
2029	810,000	5.000%	2.630%	2M3
2030	735,000	5.000%	2.640%	2N1
2031	840,000	5.000%	2.650%	2P6
2032	865,000	5.000%	2.670%	2Q4
2033	945,000	5.000%	2.700%	2R2
2034	870,000	5.000%	2.720%	2S0
2035	825,000	5.000%	2.810% ^c	2T8
2036	1,310,000	5.000%	2.870% ^c	2U5
2037	44,920,000	5.000%	2.940% ^c	2V3
2038	46,725,000	5.000%	3.000% ^c	2W1
2039	2,100,000	5.000%	3.060% ^c	2X9

^c Priced to November 15, 2034 call date at par.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, as manager of CUSIP Global Services, and is set forth herein for convenience of reference only and no representations are made as to the correctness of the CUSIP numbers shown above. The CUSIP numbers for some or all of the Series 2024A Bonds may be changed as a result of various actions occurring after the issuance of the Series 2024A Bonds, including, but not limited to, a refunding in whole or in part of the Series 2024A Bonds or the addition of secondary market portfolio insurance or other credit enhancement applicable to some or all of the Series 2024A Bonds.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

*Board Members **

Ricky Mason, Chair
John Selent, Vice Chair
Gerald Joiner
Jeff Mosley
Marita Willis
Lonnie Wright

Executive Director and Secretary-Treasurer

James A. "Tony" Parrott

Chief Financial Officer

Brad Good

Chief of Operations

Brian Bingham

Chief Engineer

David Johnson

General Counsel

Kellie S. Watson, Esq.

CERTIFIED PUBLIC ACCOUNTANTS

Crowe LLP
Louisville, Kentucky

BOND COUNSEL

Wyatt, Tarrant & Combs, LLP
Louisville, Kentucky

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Arlington, Virginia

PAYING AGENT AND BOND REGISTRAR

The Bank of New York Mellon Trust Company, N.A

* There are currently two vacancies on the District's Board.

REGARDING THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the Louisville and Jefferson County Metropolitan Sewer District (the “District”) and other sources that are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or that the information or opinions or estimates contained herein are correct as of any date subsequent to the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements.

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations with respect to the Series 2024A Bonds offered hereby, other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2024A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Series 2024A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In making an investment decision, investors must rely on their own examination of the District and the terms of the offering, including the merits and risks involved. The Series 2024A Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement.

This Official Statement contains summaries believed to be accurate of certain documents, but reference is hereby made to the actual documents, which are incorporated by reference, and all such summaries are qualified in their entirety by this reference. This Official Statement does not constitute a contract between the District or the Underwriter and any of the purchasers or owners of the Series 2024A Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes (“KRS”) or uncodified, or of the Kentucky Constitution, are references to such provisions as they presently exist. Any of those provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, “debt service” means principal of, premium, if any, and interest on the obligations referred to, and “Commonwealth” or “Kentucky” means the Commonwealth of Kentucky.

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\$104,280,000
LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
SEWER AND DRAINAGE SYSTEM REVENUE BONDS, SERIES 2024A

INTRODUCTION

The purpose of this Official Statement, which includes the cover pages and appendices, is to provide certain information with respect to the issuance of the \$104,280,000 principal amount of Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2024A (herein the “Series 2024A Bonds”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover pages and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2024A Bonds to potential investors is made only by means of the entire Official Statement.

Any capitalized terms not otherwise defined in this Official Statement shall have the meanings ascribed to them in “Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution.”

The District

The Series 2024A Bonds are being issued by the Louisville and Jefferson County Metropolitan Sewer District (the “District”), a public body corporate and politic and a political subdivision of the Commonwealth of Kentucky.

The District was created pursuant to the Act in 1946 to provide adequate sewer and drainage facilities and services in and around the City of Louisville, Kentucky (the “City”) and within Jefferson County, Kentucky (the “County”). In 1987, the District became the sole local authority for providing flood control and storm water drainage services in a drainage service area which included the City of Louisville, many small incorporated areas of the County, and portions of the unincorporated areas of the County (the “Drainage Service Area”). Substantially all the governmental and corporate functions of the City and the County merged effective January 6, 2003 into a single consolidated local government known as Louisville/Jefferson County Metro Government. The consolidated local government replaced and superseded the governments of the City and the County. The City no longer exists as a separate legal entity.

Purpose of the Series 2024A Bonds

The proceeds of the Series 2024A Bonds will be used: (i) together with other available funds of the District, to currently refund (a) all of the outstanding principal amount of the District's Sewer and Drainage System Revenue Bonds, Series 2013B (the "Refunded Series 2013B Bonds") and (b) a portion of the outstanding principal amount of the District's Sewer and Drainage System Revenue Bonds, Series 2014A (the "Refunded Series 2014A Bonds") and together with the Refunded Series 2013B Bonds, the "Refunded Bonds"), and (ii) to pay the costs of issuance of the Series 2024A Bonds. See "PLAN OF FINANCE" herein.

Security and Source of Payment for the Series 2024A Bonds

Pursuant to the provisions of Chapter 76 of the Kentucky Revised Statutes (the "Act"), a Revenue Bond Resolution adopted by the District on December 7, 1992, as amended March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003, and a Thirty-Fourth Supplemental Sewer and Drainage System Revenue Bond Resolution adopted by the District on March 25, 2024 (collectively, the "Resolution"), the District has pledged to the payment of the principal of, premium, if any, and interest on the Series 2024A Bonds as and when due and payable: (i) the proceeds of the Series 2024A Bonds, (ii) all Revenues, (iii) all amounts on deposit in the Funds and Accounts established under the Resolution, (iv) such other amounts as may be pledged from time to time by the District as security for the payment of bonds issued and outstanding under the Resolution (the "Bonds") and (v) all proceeds of the foregoing. The Series 2024A Bonds rank on a parity as to security and source of payment with all other Bonds which have been or may hereafter be issued under the Resolution.

THE SERIES 2024A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, INCLUDING THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AND THE COUNTY OF JEFFERSON, KENTUCKY, WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2024A BONDS ARE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AND THE OTHER ASSETS AND REVENUES PLEDGED THEREFOR UNDER THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY, OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, INCLUDING THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AND THE COUNTY OF JEFFERSON, KENTUCKY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2024A BONDS. THE DISTRICT HAS NO TAXING POWER.

Description of the Series 2024A Bonds

Redemption. The Series 2024A Bonds are subject to optional redemption prior to maturity as described herein.

Denominations. The Series 2024A Bonds will be issued in principal amounts of \$5,000 and integral multiples thereof.

Book Entry. The Series 2024A Bonds are issuable only as fully registered bonds, without coupons. The Series 2024A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series

2024A Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2024A Bonds. So long as DTC or its nominee is the registered owner of the Series 2024A Bonds, payments of the principal of, redemption premium, if any, and interest due on the Series 2024A Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Series 2024A Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A, as Paying Agent and Bond Registrar (the “Paying Agent and Bond Registrar”). See “BOOK-ENTRY SYSTEM” and “APPENDIX E - Book-Entry Only System” herein.

Interest. The Series 2024A Bonds will bear interest at the respective rates set forth on the inside cover page hereof, payable semiannually on May 15 and November 15, commencing November 15, 2024.

Tax Treatment

In the opinion of Bond Counsel, under the Internal Revenue Code (the “Code”) as presently enacted and construed, interest, including original issue discount, if any, on the Series 2024A Bonds is excludible from gross income for Federal income tax purposes. In rendering this opinion, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2024A Bonds.

The Series 2024A Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities.

The District has not designated the Series 2024A Bonds as “qualified tax exempt obligations” under Section 265 of the Code.

See Appendix D herein for the form of the opinion Bond Counsel proposes to deliver in connection with the Series 2024A Bonds.

Parties to the Issuance of the Series 2024A Bonds

The Paying Agent and Bond Registrar for the Series 2024A Bonds is The Bank of New York Mellon Trust Company, N.A. Legal matters incidence to the issuance of the Series 2024A Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky, Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel, Kellie S. Watson, Esq. The financial advisor to the District with respect to the Series 2024A Bonds is PFM Financial Advisors LLC, Arlington, Virginia.

Authority for Issuance

Authority for the issuance of the Series 2024A Bonds is provided by Chapter 76 of the Kentucky Revised Statutes (the “Act”) and the Resolution.

Offering and Delivery of the Series 2024A Bonds

The Series 2024A Bonds are offered when, as and if issued by the District. The Series 2024A Bonds are expected to be delivered on or about August 20, 2024 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to completion and change. This Official Statement and the continuing disclosure documents of the District are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Series 2024A Bonds, including the Resolution and the bond form, are available from the District.

The District has deemed this Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12, except for certain information herein which has been omitted in accordance with the Rule and will be provided in the final Official Statement.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2024A Bonds, is available from PFM Financial Advisors LLC, Financial Advisor to the District, 4350 N. Fairfax Drive, Suite 590, Arlington, VA 22203, Telephone (703) 741-0175.

Brief descriptions of the Series 2024A Bonds, the sources of payment and the security for the Series 2024A Bonds, the District, the System and the Resolution are included in this Official Statement. Certain information with respect to the District is included in the Appendices hereto. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Resolution. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available at the office of the District.

This Official Statement is also available on the District's investor relations website at www.louisvillemsdbonds.com. The District intends to post from time to time on its investor relations website preliminary and final official statements and other information that may be of interest to prospective purchasers and purchasers of the District's bonds and notes, including information required or permitted to be posted on the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") website at <https://emma.msrb.org>. The District does not, however, undertake to post on its investor relations website necessarily all the information it posts on EMMA or to regularly update any information on its investor relations website or to delete from its investor relations website any information that may no longer be current.

THE SERIES 2024A BONDS

General

The Series 2024A Bonds are to be issued only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2024A Bonds will be dated their date of delivery, will bear interest from that date, payable semiannually on May 15 and November 15 of each year, commencing November 15, 2024 (each an "Interest Payment Date"), and will mature on May 15 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2024A Bonds shall be payable at the designated office of the Paying Agent and Bond Registrar with respect to principal and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or private debts. Interest will be payable on each Interest Payment Date by check of the Paying Agent mailed to such registered

owner who shall appear as of the close of business on the fifteenth day (or if such day shall not be a business day, the preceding business day) of the calendar month next preceding such interest payment date on the registration books of the District maintained by the Bond Registrar, or if the registered owner shall be the registered owner of Series 2024A Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer, if the registered owner has requested payment in such manner at such wire address as shall have been furnished by the registered owner on or prior to the fifteenth day next preceding such Interest Payment Date (or if such date shall not be a business day, the preceding business day).

Each registered Series 2024A Bond shall be transferable only upon the books of the Bond Registrar, at the request of the registered owner thereof or by his authorized attorney upon surrender thereof together with an assignment satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Series 2024A Bond, the District shall issue in the name of the transferee a new registered Series 2024A Bond of the same aggregate principal amount and maturity as the surrendered Series 2024A Bond. If any Series 2024A Bond is mutilated, lost, stolen or destroyed, the District will execute and deliver a new Series 2024A Bond in accordance with the Resolution.

Redemption

Optional Redemption. The Series 2024A Bonds maturing on and after May 15, 2035 are subject to optional redemption prior to their stated maturity, at the option of the District, from time to time in whole or in part on any date on or after November 15, 2034 (and, if less than all such Series 2024A Bonds of a maturity are called, the selection of the bonds to be redeemed shall be by lot in any customary manner of selection as designated by the Bond Registrar), at a redemption price equal to the principal amount being redeemed plus interest accrued thereon to the redemption date.

Selection of Series 2024A Bonds to be Redeemed. In the event of redemption of less than all the outstanding Series 2024A Bonds of the same maturity, the selection of Series 2024A Bonds for redemption shall be by lot in any customary manner of selection as designated by the Bond Registrar.

Notice of Redemption. The Bond Registrar will give notice of redemption, identifying the Series 2024A Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than 30 days prior to the date fixed for redemption to the registered owner of each Series 2024A Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Failure to give such notice by mail to any registered owner of the Series 2024A Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2024A Bonds (or portions thereof). All Series 2024A Bonds (or portions thereof) so called for redemption will cease to bear interest from and after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Book-Entry System

The Series 2024A Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2024A Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2024A Bonds under the Resolution. For additional information about DTC and the book-entry-only system see “APPENDIX E - Book-Entry Only System.”

THE INFORMATION IN THIS SECTION AND IN APPENDIX E CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT

BELIEVES TO BE RELIABLE, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Exchange and Transfer

The registration of any Series 2024A Bond may be transferred only upon the books of the District kept by the Bond Registrar, by the owner thereof, in person or by the owner's attorney duly authorized in writing, upon surrender of such Series 2024A Bond at the designated office of the Bond Registrar accompanied by a written instrument of transfer satisfactory to the Bond Registrar and duly executed by the owner or by the owner's duly authorized attorney. Any Series 2024A Bond may be exchanged at the designated office of the Bond Registrar for a new Series 2024A Bond of any authorized denomination and of the same aggregate principal amount and maturity as the surrendered Series 2024A Bond. The Bond Registrar will not charge for any new bond issued upon any transfer or exchange, but may require the owner requesting such exchange to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Bond Registrar is required (a) to exchange or transfer any Bond during the period commencing on the fifteenth day of the month preceding an interest payment date and ending on such interest payment date, or during the period commencing fifteen days prior to the date of any selection of Series 2024A Bonds to be redeemed and ending on the day after the mailing of the notice of redemption, or (b) to transfer or exchange any Series 2024A Bond called for redemption.

Defeasance

If the District pays or causes to be paid, or there is otherwise paid, to the owners of all outstanding Series 2024A Bonds of a particular maturity or particular Series 2024A Bonds within a maturity, the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Series 2024A Bonds will cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the District to the owners of such Series 2024A Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Subject to the provisions of the Resolution, any outstanding Series 2024A Bonds will be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if (a) in the case of any Series 2024A Bonds to be redeemed on any date prior to their maturity, the District has instructed the Bond Registrar to mail a notice of redemption of such Series 2024A Bonds on said date, (b) there has been deposited with an escrow agent appointed for such purpose either money in an amount which will be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide money which, together with the money, if any deposited with the escrow agent at the same time, will be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Series 2024A Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Series 2024A Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District has given the Bond Registrar instructions in writing to mail a notice to the owners of such Series 2024A Bonds that the deposit required by (b) above has been made with the escrow agent and that such Series 2024A Bonds are deemed to have been paid in accordance with the Resolution, and stating the maturity or redemption date upon which money is expected to be available for the payment of the principal or redemption price, if applicable, on such Series 2024A Bonds. For a description of the types of Defeasance Obligations in which funds may be invested for purposes of clause (b) above, see "Appendix A- Definitions of Certain Terms and Summary of Provisions of the Resolution - - Defeasance."

PLAN OF FINANCE

The Series 2024A Bonds are being issued, and the proceeds of the Series 2024A Bonds shall be used and applied, as follows:

- (i) To currently refund the outstanding principal amount of the Refunded Bonds. The refunding of the Refunded Bonds is being undertaken to achieve debt service savings to the District.
- (ii) To pay the costs of issuance of the 2024A Bonds.

SOURCES AND USES OF FUNDS

Series 2024A Bonds

Sources

Par Amount of Series 2024A Bonds	\$104,280,000.00
Net Original Issue Premium	\$ 17,985,803.45
District Contribution	<u>\$ 1,964,870.49</u>
TOTAL	<u>\$124,230,673.94</u>

Uses

Refunding Escrow Deposits	\$123,535,271.12
Underwriter's Discount	\$ 341,954.98
Costs of Issuance	<u>\$ 353,447.84</u>
TOTAL	<u>\$124,230,673.94</u>

DEBT SERVICE REQUIREMENTS

Combined System Debt Service

Fiscal Year Ending June 30	Series 2024A			Existing Senior Lien Principal ⁽¹⁾⁽²⁾ (D)	Existing Senior Lien Interest ⁽¹⁾⁽²⁾ (E)	Total Senior Lien Bond Debt Service F = (C + D + E)	Direct Payments ⁽³⁾ (G)	Net Senior Lien Bond Debt Service H = (F + G)	Subordinated Debt Service ⁽⁴⁾⁽⁵⁾ (I)	Total Net Debt Service J = (H + I)
	Bond Principal (A)	Bond Interest (B)	Total Debt Service C = (A + B)							
2025	990,000	3,838,083	4,828,083	52,233,056	98,910,522	155,971,661	(10,359,939)	145,611,721	21,308,327	166,920,049
2026	1,515,000	5,164,500	6,679,500	52,045,000	95,365,282	154,089,782	(10,359,939)	143,729,842	21,350,712	165,080,554
2027	65,000	5,088,750	5,153,750	72,160,000	93,246,376	170,560,126	(10,359,939)	160,200,186	21,367,332	181,567,519
2028	765,000	5,085,500	5,850,500	69,985,000	89,691,247	165,526,747	(9,637,955)	155,888,792	21,361,566	177,250,358
2029	810,000	5,047,250	5,857,250	72,300,000	87,518,305	165,675,555	(9,637,955)	156,037,600	21,238,294	177,275,894
2030	735,000	5,006,750	5,741,750	53,698,716	86,505,713	145,946,180	(9,637,955)	136,308,225	21,192,223	157,500,447
2031	840,000	4,970,000	5,810,000	33,030,954	85,979,960	124,820,914	(10,220,525)	114,600,389	62,957,209	177,557,598
2032	865,000	4,928,000	5,793,000	33,974,163	84,637,246	124,404,409	(10,220,525)	114,183,884	63,006,852	177,190,736
2033	945,000	4,884,750	5,829,750	34,792,518	83,270,888	123,893,156	(10,220,525)	113,672,631	63,441,767	177,114,398
2034	870,000	4,837,500	5,707,500	104,767,024	82,012,548	192,487,072	(10,220,525)	182,266,547	3,269,448	185,535,995
2035	825,000	4,794,000	5,619,000	94,430,684	78,857,631	178,907,315	(10,220,525)	168,686,790	3,191,819	171,878,610
2036	1,310,000	4,752,750	6,062,750	101,430,503	74,537,810	182,031,062	(10,220,525)	171,810,537	2,536,499	174,347,037
2037	44,920,000	4,687,250	49,607,250	73,029,482	69,897,112	192,533,845	(10,220,525)	182,313,320	2,343,204	184,656,523
2038	46,725,000	2,441,250	49,166,250	76,488,627	67,050,552	192,705,430	(10,220,525)	182,484,905	2,147,308	184,632,212
2039	2,100,000	105,000	2,205,000	126,271,942	64,236,831	192,713,773	(10,220,525)	182,493,248	2,144,708	184,637,956
2040	-	-	-	133,969,430	57,670,420	191,639,850	(8,393,859)	183,245,990	2,144,708	185,390,698
2041	-	-	-	139,024,095	50,674,560	189,698,655	(6,453,125)	183,245,530	2,111,524	185,357,054
2042	-	-	-	144,444,942	43,184,043	187,628,985	(4,383,859)	183,245,126	1,996,256	185,241,381
2043	-	-	-	150,081,975	35,395,912	185,477,887	(2,233,875)	183,244,012	1,177,145	184,421,157
2044	-	-	-	127,445,198	27,298,968	154,744,167	-	154,744,167	440,119	155,184,286
2045	-	-	-	131,753,616	22,988,537	154,742,153	-	154,742,153	-	154,742,153
2046	-	-	-	136,177,234	18,569,151	154,746,385	-	154,746,385	-	154,746,385
2047	-	-	-	103,406,056	13,840,376	117,246,432	-	117,246,432	-	117,246,432
2048	-	-	-	71,955,087	10,290,455	82,245,542	-	82,245,542	-	82,245,542
2049	-	-	-	35,145,332	7,691,800	42,837,132	-	42,837,132	-	42,837,132
2050	-	-	-	36,324,796	6,378,900	42,703,697	-	42,703,697	-	42,703,697
2051	-	-	-	31,002,485	5,014,896	36,017,380	-	36,017,380	-	36,017,380
2052	-	-	-	30,128,403	3,753,022	33,881,425	-	33,881,425	-	33,881,425
2053	-	-	-	28,308,556	2,492,954	30,801,510	-	30,801,510	-	30,801,510
2054	-	-	-	7,066,950	1,259,089	8,326,039	-	8,326,039	-	8,326,039
2055	-	-	-	7,234,590	1,091,603	8,326,192	-	8,326,192	-	8,326,192
2056	-	-	-	7,405,482	920,143	8,325,625	-	8,325,625	-	8,325,625
2057	-	-	-	7,580,633	744,633	8,325,265	-	8,325,265	-	8,325,265
2058	-	-	-	7,761,047	564,972	8,326,019	-	8,326,019	-	8,326,019
2059	-	-	-	7,944,733	381,035	8,325,768	-	8,325,768	-	8,325,768
2060	-	-	-	8,132,695	192,745	8,325,440	-	8,325,440	-	8,325,440
	\$104,280,000	\$65,631,333	\$169,911,333	\$2,402,931,005	\$1,552,116,236	\$4,124,958,574	(\$173,443,127)	\$3,951,515,447	\$340,727,022	\$4,292,242,468

Notes:

- (1) Existing Senior Lien Principal and Interest includes the estimated amortization of the Series 2020B WIFIA Loan, including the planned capitalization of interest until May 15, 2030. MSD anticipates the final draw occurring in November 2026. The draws on the loan are expected to total \$96,926,900, which is the stated par amount of the loan. As of June 30, 2024, \$29,931,613 has been drawn on the WIFIA loan. Due to the capitalization of interest until 5/15/2030, the outstanding balance of the WIFIA loan may grow larger than the original stated principal amount. As of June 30, 2024, the outstanding balance of the WIFIA loan is \$30,027,361, which represents the \$29,931,613 of draws and \$95,748 of capitalized interest
- (2) Existing Senior Lien Principal and Interest excludes debt service on the District's refunded 2013B and 2014A Bonds and incorporates cash contributions made by MSD to the transaction from the Debt Service Fund
- (3) Due to sequestration, the federal direct payments on the Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2009C Build America Bonds and Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2010A Build America Bonds are reduced by 5.7% through the end of the federal fiscal year 2030 (9/30/2030). Beyond this date, the federal direct payments are assumed at the original rate due on the outstanding Series 2009C BABs and 2010A BABs.
- (4) Includes planned amortization of outstanding commercial paper associated with the swap agreements with Bank of America & Wells Fargo. Planned amortization of the outstanding commercial paper is subject to change by MSD. Interest on the outstanding commercial paper associated with the swap agreements is calculated at 4.4125%, which is the fixed rate on the swap agreements. Any commercial paper associated with capital spending that may be outstanding is not incorporated in this schedule as MSD expects to re-finance those obligations with permanent financing on a programmatic basis.
- (5) Subordinated debt service includes debt service on outstanding general obligation debt from aquired entities, payments on Kentucky Association of Counties lease, and debt service on Kentucky Infrastructure Authority loans. Some loans payments included are preliminary and subject to change based on the results of loan finalization.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024A BONDS

The Series 2024A Bonds will rank on a parity as to source of payment with Bonds previously issued and any Additional Bonds and Refunding Bonds which may be issued from time to time pursuant to the Resolution (collectively, the “Bonds”). The Bonds are secured by and payable solely from pledged revenues derived from the collection of rates, rents and charges for the services rendered by the System as set forth in the Resolution. The Bonds do not constitute an indebtedness of the Commonwealth of Kentucky, the Louisville/Jefferson County Metro Government or the County of Jefferson, Kentucky.

The District has heretofore issued its Sewer and Drainage System Revenue Bonds outstanding in the amounts shown below, each Series of which will rank on a parity as to security and source of payment with the Series 2024A Bonds.

Senior Lien					
As Of June 30, 2024					
(\$ in thousands)					
<u>Series</u>	<u>Final Payment</u> <u>In</u>	<u>Original Principal</u> <u>Amount</u>	<u>Principal Amount</u> <u>Outstanding</u>		
Series 2009C	2040	\$ 180,000	\$ 180,000		
Series 2010A	2043	330,000	330,000		
Series 2013B	2038	119,515	89,300		
Series 2014A	2045	80,000	77,280		
Series 2015A	2046	175,000	168,525		
Series 2015B	2038	81,750	59,865		
Series 2016A	2047	150,000	145,470		
Series 2016B	2036	28,315	16,585		
Series 2017A	2048	175,000	138,035		
Series 2017B	2025	35,725	13,505		
Series 2018A	2038	60,380	60,380		
Series 2020A	2050	225,000	221,355		
Series 2020B*	2060	96,927	33,043		
Series 2020C	2044	112,065	37,790		
Series 2021A	2034	246,555	214,665		
Series 2022A	2052	225,000	223,500		
Series 2023A	2035	49,745	49,745		
Series 2023B	2036	41,950	41,950		
Series 2023C	2053	351,975	348,380		
		\$ 2,764,902	\$ 2,449,373		

* As of June 30, 2024, \$32,947,506 has been drawn on the WIFIA loan. Due to the capitalization of interest until 5/15/2030, the outstanding balance of the WIFIA loan may grow larger than the original stated principal amount. As of June 30, 2024, the outstanding balance of the WIFIA loan is \$33,043,254, which represents the \$32,947,506 of draws and \$95,748 of capitalized interest

Additionally, the District has the following Senior Subordinate Lien and Other Subordinate Lien debt outstanding:

Senior Subordinated Lien				
As Of June 30, 2024				
(\$ in thousands)				
<u>Type</u>	<u>Final Payment</u>	<u>Original Principal</u>	<u>Principal Amount</u>	<u>Principal Amount</u>
<u>In</u>	<u>Amount</u>	<u>Outstanding</u>		
Commercial Paper	\$	212,195	\$	212,195
	\$	212,195	\$	212,195
Other Subordinated Lien				
As Of June 30, 2024				
(\$ in thousands)				
2014 GO Bonds	2030	\$ 9,790	\$	6,105
2017 GO Bonds	2035	3,561		2,881
KACO	2031	4,000		1,525
SRF A09-41	2033	2,395		1,193
SRF A10-04	2033	2,843		1,420
SRF A10-05	2033	1,000		524
SRF A10-07	2034	2,538		1,332
SRF A11-15	2033	671		335
SRF A12-29	2037	6,500		4,323
SRF A17-028	TBD	7,400		7,400
SRF A18-010	2040	1,116		948
SRF A19-015	2042	2,695		2,414
SRF A19-028	2042	24,200		22,700
SRF B10-01	2030	500		182
SRF B10-04	2031	500		210
SRF B15-006	2038	87		62
		\$ 69,796	\$	53,554

Table does not include loans that have been approved but remain undrawn
Source: Louisville/Jefferson County Metropolitan Sewer District

Pledged Property

The Series 2024A Bonds are special and limited obligations of the District payable solely from and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with the terms and the provisions of the Resolution solely by the Pledged Property, which is defined by the Resolution to be the proceeds of the sale of the Series 2024A Bonds, all Revenues, all amounts on deposit in the Funds and Accounts established under the Resolution, such other amounts as may be pledged from time to time by the District as security for the payment of bonds, notes or other evidences of indebtedness authenticated and delivered pursuant to the Resolution, and all proceeds of the foregoing. The Series 2024A Bonds rank on a parity as to security and source of payment with Bonds previously issued and outstanding

under the Resolution and any Additional Bonds and Refunding Bonds (as such terms are defined in Appendix A) which may be issued from time to time pursuant to the Resolution.

Rate Covenant

The District has covenanted pursuant to the Resolution to fix, establish, maintain and collect rates, fees, rents and charges for services of the System, which, together with other “Available Revenues” (as hereinafter defined) are expected to produce Available Revenues which will be at least sufficient for each Fiscal Year to pay the sum of:

- (i) an amount equal to 110% of the Aggregate Net Debt Service for such Fiscal Year;
- (ii) the amount, if any, to be paid during such Fiscal Year into the Reserve Account in the Bond Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds);
- (iii) all Operating Expenses for such Fiscal Year as estimated in the Annual Budget;
- (iv) to the extent not included in the foregoing, an amount equal to the debt service on the Senior Subordinated Debt, any other Subordinated Debt or other debt of the District for such Fiscal Year computed as of the beginning of such Fiscal Year; and
- (v) amounts necessary to pay and discharge all charges or liens payable out of the Available Revenues when due and enforceable.

“Available Revenues”, as used only for purposes of the above rate covenant, means all revenues and other amounts received by the District and pledged as security for the payment of Bonds, but excludes any interest income which is capitalized pursuant to generally accepted accounting principles. “Operating Expenses” includes all reasonable, ordinary, usual or necessary current expenses of maintenance, repair and operation determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. “Operating Expenses” does not include reserves for extraordinary maintenance or repair such as extraordinary maintenance, administrative and engineering expenses of the District which are necessary or incident to capital improvements for which debt has been issued and which may be paid from the proceeds of such debt. “Aggregate Net Debt Service” means Aggregate Debt Service, excluding (i) interest expense which, in accordance with generally accepted accounting principles, is capitalized and which may be paid from the proceeds of debt and (ii) other amounts, if any, available or expected to be available in the ordinary course for payment of Debt Service. The summary definitions above are not intended to be comprehensive or definitive, and reference is made to the Resolution and Appendix A for more detail. The definitions above are qualified in their entirety by reference to the Resolution. For a table illustrating computation of historical debt service coverage, using these terms as defined in the Resolution, see “Appendix B - Annual Comprehensive Financial Report of the District, Fiscal Year Ended June 30, 2023 - Comparative Schedule of Debt Service Coverage”.

Additional Bonds

Additional Bonds may be issued on a parity with the Series 2024A Bonds to finance the Cost of Acquisition and Construction of Additional Facilities upon the satisfaction of certain conditions. Refunding Bonds may be issued to refund outstanding Bonds. The conditions for the issuance of Additional Bonds to finance the Acquisition and Construction of Additional Facilities include a certificate of an Authorized Officer of the District setting forth (i) for any period of 12 consecutive calendar months within the 24 calendar months preceding the date of the authentication and delivery, the Net Revenues for such period,

and (ii) the Aggregate Net Debt Service during the same period for which Net Revenues are computed, with respect to all Series of Bonds which were then Outstanding (excluding from Aggregate Net Debt Service any Principal Installment or portion thereof which was paid from sources other than Net Revenues), and showing that the amount set forth in (i) is equal to or greater than 110% of the amount set forth in (ii). The conditions for the issuance of Additional Bonds to finance the Acquisition and Construction of Additional Facilities also include a certificate of an Authorized Officer of the District setting forth (i) for the last full Fiscal Year of 12 months (ending June 30) immediately preceding the date of the authentication and delivery, the Net Revenues for such period, or, at the option of the District, for the last 12 consecutive full calendar months immediately preceding the date of the authentication and delivery, the Net Revenues for such period, and (ii) the estimated maximum Aggregate Net Debt Service in the current or any future Fiscal Year with respect to (a) all Series of Bonds which are then Outstanding and the Additional Bonds then proposed to be authenticated and delivered (and for this purpose all Series of Bonds Outstanding plus such proposed Additional Bonds shall be treated as a single Series; that is, the maximum Aggregate Net Debt Service shall be computed collectively with respect to all such Bonds, and not computed cumulatively or separately for each particular Series), and showing that the amount set forth in (i) is equal to or greater than 110% of the amount set forth in (ii). For purposes of computing the amount set forth in (i), Net Revenues may be increased to reflect the following amounts: (a) any increases in the rates, fees, rents and other charges for services of the System made subsequent to the commencement of such period and prior to the date of such certificate, (b) any estimated increases in Net Revenues caused by any Project or Projects having been placed into use and operation subsequent to the commencement of such period and prior to the date of such certificate, as if such Project or Projects had actually been placed into use and operation for the entire period chosen in (i) above, and (c) 75% of any estimated increases in Net Revenues which would have been derived from the operation of any Project or Projects with respect to which the Cost of Construction and Acquisition is to be paid from proceeds of the Additional Bonds proposed to be authenticated and delivered, as if such Project or Projects had actually been placed into use and operation for the entire period chosen in (i) above. For additional information relating to the conditions for the issuance of Additional Bonds, see "Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution - Additional Bonds".

FUNDS AND ACCOUNTS

The Resolution establishes the following Funds and Accounts which, other than the Bond Fund which is held by the Paying Agent, will be held by the District: (i) Construction and Acquisition Fund; (ii) Revenue Fund; (iii) Bond Fund, consisting of a Debt Service Account and a Reserve Account; (iv) Senior Subordinated Debt Fund; and (v) Renewal and Replacement Account.

Construction and Acquisition Fund

The Resolution provides that the amounts, if any, required by the Resolution will be paid into the Construction and Acquisition Fund and, at the option of the District, any moneys received by the District from any source, unless required to be otherwise applied as provided by the Resolution, may also be paid into this Fund. Amounts in the Construction and Acquisition Fund will be applied to pay the Cost of Construction and Acquisition in the manner provided in the Resolution.

To the extent other moneys are not available therefor, amounts in the Construction and Acquisition Fund will be applied to the payment of Principal Installments of and interest on Bonds when due.

An adequate record of the completion of construction of a Project financed in whole or in part by the issuance of Bonds shall be maintained by an Authorized Officer of the District. The balance in the separate account in the Construction and Acquisition Fund established therefor shall then be transferred to the Reserve Account in the Bond Fund, if and to the extent necessary to make the amount of such Fund

equal to the Debt Service Reserve Requirement, and any excess amount shall be paid over or transferred to the District for deposit in the Revenue Fund. For additional information relating to the Construction and Acquisition Fund, see “Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution - Construction and Acquisition Fund.”

Flow of Funds

All Revenues shall be promptly deposited by the District upon receipt thereof into the Revenue Fund.

There shall be withdrawn in each month the following amounts, for deposit as set forth below and in the order of priority set forth below.

(i) To the Bond Fund, (a) for credit to the Debt Service Account, the amount, if any, required so that the balance in such Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month or, if interest or principal are required to be paid to Holders of Bonds during the next succeeding month on a day other than the first day of such month, Accrued Aggregate Debt Service as of the day through and including which such interest or principal is required to be paid and (b) for credit to the Reserve Account, the amount, if any, required for such Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Resolution, to equal one-twelfth (1/12) of the difference between (1) the amount then in the Reserve Account immediately preceding such deposit and (2) the actual Debt Service Reserve Requirement as of the last day of the then current month;

(ii) To the Senior Subordinated Debt Fund the amount, if any, required to pay scheduled base and additional rentals when due on the Senior Subordinated Debt and reserves therefor, in accordance with the resolution or other debt instrument authorizing the Senior Subordinated Debt;

(iii) Each month the District shall pay from the Revenue Fund such amounts as are necessary to meet Operating Expenses for such month; and

(iv) To the Renewal and Replacement Account, a sum equal to one-twelfth (1/12) of the amount, if any, provided in the Annual Budget to be deposited in the Renewal and Replacement Account during the then current Fiscal Year; provided that, if any such monthly allocation to the Renewal and Replacement Account shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency.

The balance of moneys remaining in the Revenue Fund after the above required payments have been made may be used by the District for any lawful purpose relating to the System. The District has covenanted not to make any expenditures from Revenues prior to making the payments out of Revenues required to be made by the Resolution as provided above.

Reserve Account

Amounts in the Reserve Account in the Bond Fund are to be applied to make up any deficiencies in the Debt Service Account in the Bond Fund. The Debt Service Reserve Requirement is defined in the Resolution as the least of (i) ten percent (10%) of the face amount of all Bonds issued under the Resolution, (ii) one hundred percent (100%) of the maximum Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year, and (iii) one hundred twenty-five percent (125%) of average Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year. For

Variable Interest Rate Bonds, the Debt Service Reserve Requirement shall be the maximum permitted amount with interest calculated at the lesser of the 30-year Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to the date of sale of such Variable Interest Rate Bonds) or the Maximum Interest Rate. If any Variable Interest Rate Bond shall be converted to a fixed rate Bond for the remainder of the term thereof, any resulting deficiency in the Reserve Account shall be satisfied by an additional deposit or deposits into the Reserve Account so that the amount on deposit therein equals the Debt Service Reserve Requirement by the end of the Fiscal Year during which such conversion occurs.

The District's obligations to maintain the Debt Service Reserve Requirement may be satisfied by depositing therein a surety bond, insurance policy or letter of credit. See "Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution - Bond Fund - Reserve Account" for further information regarding the Reserve Account. On June 26, 2019, the District purchased a debt service reserve surety policy (the "Reserve Policy") from Build America Mutual Assurance Company with a maximum policy limit of \$75,000,000. The Reserve Policy terminates on May 15, 2048. Draws under the Reserve Policy may only be used to make payments of principal and interest on the Bonds. Cash and securities on deposit in the Reserve Account shall be transferred to the Debt Service Account for payment of debt service on the Bonds before any draw may be made on the Reserve Policy.

Senior Subordinated Debt Fund

Amounts in the Senior Subordinated Debt Fund are to be applied to the payment of the amounts required to pay scheduled principal and interest when due on Senior Subordinated Debt and make deposits, if any, for reserves therefor. Amounts in the Senior Subordinated Debt Fund shall also be applied to make up any deficiencies in the Debt Service Account or the Reserve Account. See "Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution - Senior Subordinated Debt Fund" for additional information regarding the Senior Subordinated Debt Fund.

Renewal and Replacement Account

Moneys to the credit of the Renewal and Replacement Account may be applied to the cost of major replacements, repairs, renewals, maintenance, betterments, improvements, reconstruction or extensions of the System or any part thereof as may be determined by the Board. If at any time the moneys in the Debt Service Account, the Reserve Account and the Revenue Fund shall be insufficient to pay the interest and Principal Installments becoming due on the Bonds, then the District shall transfer from the Renewal and Replacement Account for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. See "Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution - Renewal and Replacement Account" for additional information regarding the Renewal and Replacement Account.

For additional information relating to the application of Revenues, see "Appendix A - Definitions of Certain Terms and Summary of Provisions of the Resolution."

Investment of Funds

Moneys held in the Bond Fund, the Revenue Fund, the Senior Subordinated Debt Fund, the Renewal and Replacement Account, and the Construction and Acquisition Fund are required to be invested and reinvested to the fullest extent practicable in Investment Securities, maturing not later than such times as will be necessary to provide moneys when needed for payments to be made from such Fund or Account. The Fiduciaries shall make investments of moneys held by them in accordance with written instructions from time to time received from an Authorized Officer of the District. See "Appendix A - Definitions of

Certain Terms and Summary of Provisions of the Resolution - Investments” for additional information regarding the investment of funds.

SWAPS, SUBORDINATED DEBT, AND OTHER FINANCIAL INSTRUMENTS

The District has entered into interest rate swap agreements with two counterparties as part of the management of its outstanding debt. Generally, each interest rate swap agreement calls for periodic net payments from or to the District depending upon whether a specified market interest rate index is above or below a specified fixed rate or another specified market interest rate index during that period. Each such swap agreement allows the District, at its option, to terminate the agreement at any time. Upon any such termination, a termination payment is to be made, calculated based on the mark-to-market value of the swap agreement plus dealer’s spread. The swap agreements provide that under certain circumstances the counterparty to the swap agreement (but not the District) may be required to post collateral, depending upon the credit rating of that counterparty, with the amount of collateral required based on the mark-to-market value of the swap. The interest rate swap agreements entered into by the District provide that the counterparties to the agreements must post collateral if their respective ratings fall below A+/A1. The agreements also provide the counterparties the right to terminate the agreements if the District’s unenhanced bond rating is downgraded below BBB/Baa. The District’s obligations under all of its outstanding swap agreements are unsecured and subordinate to all Bonds issued and outstanding under the Resolution. Certain provisions of the District’s outstanding swap agreements are summarized below.

The Resolution permits the District to issue Senior Subordinated Debt secured by Revenues of the System, subject to the prior and senior lien on such Revenues of all Bonds issued and outstanding under the Resolution. The decision of the District from time to time whether to issue Senior Subordinated Debt or Bonds depends, among other things, upon its assessment of market conditions at the time of issuance.

The District has issued Senior Subordinated Debt to provide interim financing for capital projects. Each series of Senior Subordinated Debt that has been issued has been retired from the proceeds of Bonds issued under the Resolution or from the proceeds of another series of Senior Subordinated Debt issued to refinance an earlier series of Senior Subordinated Debt.

The District has from time to time entered into agreements with various counterparties to provide for the investment of amounts in various funds established under the Resolution. Generally such agreements provide for the investment of funds at a contractually fixed rate of return to the District during their respective terms and provisions for termination, at the option of the District, based on payment of a termination fee determined based on the mark-to-market value of the contract plus dealer’s spread.

The District reserves the right to enter into, amend, and terminate any existing or future interest rate swap transactions or other agreements or derivative transactions, from time to time, as part of its overall debt, investment or general management strategy. See also “APPENDIX A - Definitions of Certain Terms and Summary of Provisions of the Resolution”.

Subordinated Revenue Bond Anticipation Notes

On October 5, 2022, the District issued its Subordinated Revenue Bond Anticipation Notes, Series 2022 (the “Series 2022 Notes”) for the purpose of currently refunding the District’s outstanding Subordinated Revenue Bond Anticipation Notes, Series 2021. The Series 2022 Notes were issued in the original principal amount of \$226,340,000. On October 6, 2023, the Series 2022 Notes were paid at maturity and are no longer outstanding. The Series 2022 Notes were paid with a combination of the District’s available funds and proceeds from the issuance of Series A-1 and A-2 Commercial Paper Notes in the aggregate amount of \$219,195,000.

Floating-to-Fixed Swap

In 2001, the District entered into two forward-starting interest rate swaps (the “1999 Swaps”) pursuant to which beginning in November 2009 the District would pay a fixed rate of 4.4215% and receive 67% of the One Month LIBOR index on a notional amount corresponding to the approximate amount needed to refund the District’s Series 1999 Bonds. The District’s original strategy in entering into the 1999 Swaps was to “lock in” a fixed rate for the variable rate debt that could be issued in 2009 to refund the Series 1999 Bonds. In August 2009, the District decided instead to refund the Series 1999 Bonds with proceeds of its fixed-rate Series 2009B Bonds and its fixed-rate Series 2009A Notes. The Series 2009A Notes were refunded by successive series of refunding notes, the last of such series of refunding notes being the Series 2022 Notes. Upon maturity of the Series 2022 Notes, the District issued an amount of Commercial Paper Notes, together with other available funds, sufficient to pay the Series 2022 Notes. The Commercial Paper Notes remain outstanding in an amount that mirrors the amortization of the 1999 Swaps.

In August 2009, the District reversed that portion of the 1999 Swaps which corresponded in amount and amortization schedule to the portion of the Series 2009B Bonds used to refund the Series 1999 Bonds. The reversed portion of the 1999 Swaps was terminated in April 2013. The only portion of the 1999 Swaps that remains in effect is the non-reversed portion of the 1999 Swaps, which has a termination date of May 15, 2033 and amortizes in amounts that correspond with the expected maturity structure of a future hypothetical bond issue the District may issue under the Resolution to permanently refinance the Commercial Paper Notes. The District’s expectation is that variable payments received under the non-reversed portion of the 1999 Swaps will hedge future interest rate movements for any fixed-rate Bonds hereafter issued under the Resolution (or any other fixed-rate renewal notes hereafter issued under the Subordinated Debt Resolution). See “Note 7 – Long Term Debt” in “Appendix B - Annual Comprehensive Financial Report of the District, Fiscal Year Ended June 30, 2023”. As of July 1, 2024, the estimated aggregate mark-to-market value of the non-reversed portion of the 1999 Swaps was approximately *negative* \$20,629,657.

The District and its counterparties to the interest rate swaps described above have each adhered to the ISDA 2020 IBOR Fallbacks Protocol as published by the International Swaps and Derivatives Association.

Commercial Paper Program

On March 27, 2023, the District adopted a resolution (the “Program Note Resolution”) authorizing the issuance of its Sewer and Drainage System Subordinated Program Notes (“Program Notes”), consisting of Commercial Paper Notes and Direct Purchase Notes, for the purpose of (i) financing the cost of improvements or additions to the System and (ii) refinancing outstanding Program Notes. Program Notes are issued as Senior Subordinated Debt of the District, secured, on a parity with any other outstanding or hereafter issued Senior Subordinated Debt of the District, by a subordinate and junior lien on the Revenues of the System, subject to the prior and senior lien on such Revenues of all Bonds issued and outstanding under the Bond Resolution, including the Series 2024A Bonds offered hereby. Program Notes (both Commercial Paper Notes and Direct Purchase Notes) may be issued in an aggregate principal amount not to exceed \$500,000,000 at any one time outstanding.

Commercial Paper Notes may be issued and sold, at public or private sale, as taxable or tax-exempt notes, maturing in 270 days or less (but in any event not later than June 18, 2026) as determined by the District, and bearing interest at a rate or rates determined by the District (not in excess of 12% per annum for taxable notes or 10% per annum for tax-exempt notes). Commercial Paper Notes are payable only from (i) proceeds of the sale of other Commercial Paper Notes issued under the Program Note Resolution and used to refund outstanding Commercial Paper Notes, (ii) the proceeds of Direct Purchase Notes or other

loans from the Banks (as defined below) used to refund outstanding Commercial Paper Notes, and (iii) the proceeds of Bonds issued to pay outstanding Commercial Paper Notes.

Liquidity support for each subseries of Commercial Paper Notes issued under the Program Note Resolution is provided by Bank of America, N.A. or JPMorgan Chase Bank, National Association (each a “Bank” and collectively the “Banks”). As an alternative to the sale of Commercial Paper Notes to investors, the Program Note Resolution authorizes the District in its discretion to issue and sell to the Banks, as Senior Subordinated Debt of the District under the Program Note Resolution, Direct Purchase Notes, evidencing loans from the Banks to the District. Direct Purchase Notes shall mature (but not later than June 18, 2026) and bear interest as provided in the respective note purchase agreement between the District and each Bank and may be issued only as tax-exempt notes.

The District expects to issue Bonds from time to time under the Bond Resolution, to retire certain Program Notes (Commercial Paper Notes or Direct Purchase Notes) outstanding at maturity. The District expects to maintain certain Program Notes (Commercial Paper Notes or Direct Purchase Notes) outstanding as an offsetting obligation to the above mentioned 1999 Swaps.

As of July 3, 2024, there was issued and outstanding under the Program Note Resolution \$212,195,000 aggregate principal amount of Commercial Paper Notes with a term to maturity of 30 days and an interest rate of not more than 3.72% per annum.

THE DISTRICT

General

The District was created and established pursuant to the Act, as a public body corporate, in 1946, in the interest of the public health and for the purpose of providing adequate sewer and drainage facilities. The District had complete jurisdiction, control, possession, and supervision of the then existing sewer and drainage system in the City and the power and authority to operate, maintain, reconstruct, and improve such system and construct additions, betterments, and extensions thereto within the limits of the District area as defined in the Act. The District assumed jurisdiction over and administration of the then existing sewer and drainage system in the City on November 16, 1946, pursuant to Ordinance No. 90, Series 1946, passed by the Board of Aldermen of the City and approved by the Mayor thereof in accordance with the requirements of the Act.

Administration and Management of the District

The business, activities, and affairs of the District are managed, controlled, and conducted by a board (the “Board”), composed of eight members, not more than five of whom shall be affiliated with the same political party. The members are appointed by the Mayor subject to the approval of the Council of the Louisville/Jefferson County Metro Government (“Metro Council”). All appointments to the Board are made for three-year terms. The current members of the Board and the expiration dates of their respective terms are as follows.

<u>Board Members</u>	<u>Term Expires</u>
Ricky Mason (Chair)	July 31, 2025
John Selent (Vice-Chair)	July 31, 2027
Gerald Joiner	February 28, 2027
Jeff Mosley	July 31, 2026
Marita Willis	June 30, 2025
Lonnie Wright	July 31, 2026

There are currently two vacancies on the Board.

The Board has delegated and placed the conduct of the day-to-day business affairs of the District under the direction of an Executive Director supported by administrative, engineering, legal and business staffs. Short biographies of key members of the District's senior management team are set forth below:

James A. Parrott, Executive Director and Secretary-Treasurer

James A. "Tony" Parrott has served as the Executive Director of the District since July 2015, having been appointed to this role after 30 years in the public utility business, including 10 years in the top leadership role of the Metropolitan Sewer District of Greater Cincinnati. He holds a Communications Degree from Georgetown College and sits on the Board of Directors for the National Association of Clean Water Agencies. On December 19, 2022, the District's employment agreement with Mr. Parrott to serve as Executive Director was extended through September 13, 2030.

Carmen Moreno-Rivera Chief of Staff

Carmen Moreno-Rivera has served as the Chief Administrative Officer/Chief of Staff at the District since March 2024, after having served as a board member for over two years. She has leadership experience in local government with strategy development, performance management, and project and program management. Ms. Moreno-Rivera has a doctorate in education in leadership and degrees in engineering and management.

Brad Good, Chief Financial Officer

Brad Good was employed by the District in 2016 as Controller and was promoted to Chief Financial Officer in 2020. His previous experience includes 15 years in various accounting and finance positions in the hotel industry. Mr. Good is a certified public accountant and has a Bachelor of Science degree in Animal Science from Kansas State University and a post-baccalaureate degree in accounting from Indiana University Southeast.

Brian Bingham, Chief of Operations

Brian Bingham joined the District in 2004 as the Regulatory Services Director to oversee the development and implementation of the Wet Weather Consent Decree. He assumed oversight of the District's Operations Group, including Wastewater, Drainage, and Flood Protection, in 2013. His previous experience includes 20 years of engineering and program management in the private consulting engineering business. Mr. Bingham has a Bachelor of Science degree in Civil Engineering from the J. B. Speed School of Engineering at the University of Louisville.

David Johnson, Chief Engineer

David Johnson has been employed by the District for 22 years, all within the Engineering Division. He most recently served as the Development and Storm Water Services Director before being promoted to Chief Engineer in 2020. Mr. Johnson is a Licensed Professional Engineer in the Commonwealth of Kentucky and holds a Bachelor of Science and a Master of Engineering Degree from the J.B. Speed School of Engineering at the University of Louisville. On March 23, 2020, Mr. Johnson entered into an employment agreement with the District to serve as Chief Engineer through March 23, 2021, subject to automatic renewal for up to four additional one-year renewal periods.

Kellie S. Watson, Esq., General Counsel and Legal Director

Kellie Watson began at the District in May 2020 as the Equity and Compliance Officer, and was promoted to General Counsel and Legal Director in November 2022. Ms. Watson has over 20 years of experience in state and local government as the following: Chief Equity Officer, General Counsel and Legislative Liaison, and Director of Human Resources in the Office of the Mayor, Louisville/Jefferson County Metro Government; Executive Director for the Office of Civil Rights and Small Business and Director of Personnel Management for the Kentucky Transportation Cabinet; Executive Director of Louisville Metro Human Relations Commission; and Director of the Office of Affirmative Action for the City of Louisville. Prior to working in local government, Ms. Watson worked as a public defender for the Louisville-Jefferson County Public Defender's Office, and as an associate attorney in Cincinnati, Ohio with Peck, Shaffer, and Williams LLP. Ms. Watson has a Bachelor of Science degree in Political Science with concentration in Policy Analysis from the University of Louisville and a Juris Doctorate degree from Vanderbilt University, School of Law.

Angela Akridge, Chief Strategy Officer

Angela Akridge began working for the District as an engineering cooperative education intern and upon completion of her civil engineering bachelor's and master's degrees from the University of Louisville Speed Scientific School, she joined the District as a full-time employee. Since that time she has served the community through multiple leadership, management and technical positions throughout her 27+ years at the District. She was appointed as Chief Engineer in 2015 and most recently appointed to the newly created position of Chief Strategy Officer for Business Transformation and Regulatory Compliance in 2019.

Paul Bagley, Chief Information Officer

Paul Bagley has been the Chief Information Officer of the District since April of 2021. His previous experience includes information technology leadership and technical positions in the software, airline, and utility industries. Mr. Bagley has over 20 years of experience in the field of information technology. He holds a bachelor's degree in Industrial Engineering from Georgia Tech.

Lynne Fleming, Chief Human Resources Officer

Lynne Fleming has been the District's Director of Human Resources since January 2012. She has over 18 years' experience in HR having previously served the City of Louisville and Louisville Metro Government as Assistant Director of Human Resources. Ms. Fleming is a licensed attorney. During her 8 years with the City of Louisville Law Department, Ms. Fleming focused her practice in the areas of labor and employment law and civil rights litigation. She was also a litigator in the adult trial division of the Louisville-Jefferson County Public Defender's Office for the first 8 years of her legal career. Ms. Fleming has a Bachelor of Arts degree in International Affairs with a Business Concentration from Xavier University and a Juris Doctor degree from the University of Louisville Brandeis School of Law. Ms. Fleming is retiring from the District as of August 1, 2024.

Sharise Horne, Chief of Equity & Community Partnerships

Sharise Horne serves as Chief of Equity and Community Partnerships, responsible for overseeing inclusive and comprehensive programs that foster partnerships, and job creation, with communities within the District's service area. She also is responsible for leading the District's Diversity, Equity, and Inclusion initiative. Ms. Horne holds two undergraduate degrees from Indiana Wesleyan University, both magna cum laude. She holds several professional certifications, including Certified Compliance Administrator from Morgan State University. Ms. Horne currently serves on Louisville Mayor's Equity in Contracting & Procurement Taskforce, and Co-chairs the National Association of Clean Water Agencies Environmental Justice committee. She serves on various local and national taskforce, boards, and committees.

René Patterson-Lindsay, Chief Procurement Officer

René Patterson-Lindsay has been employed by the District since 1994 and was promoted to Chief Procurement Officer in 2018. During her tenure she has worked the last 24 years in Procurement and Supplier Diversity. Ms. Lindsay is a certified public procurement officer and has a Bachelor of Science degree in Business Administration from Spalding University.

Kimberly Reed, Chief Innovation Officer

Kimberly Reed has been the Chief Innovation Officer of the District since March of 2019. She previously worked for the Louisville Water Company in various leadership positions. She has had a diverse career of over 20 years in the electric, gas, water, and waste water utility industries. Ms. Reed has Bachelor of Science in Chemical Engineering and Master of Business Administration degrees, both from the University of Louisville.

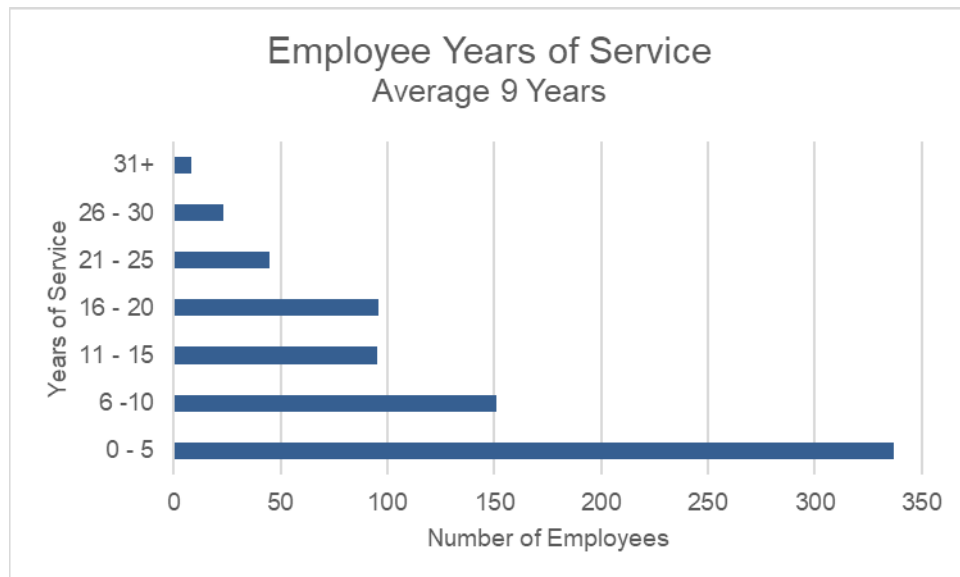
Wesley Sydnor, Chief of Government & Public Affairs

Wesley Sydnor, PE, is the Chief of Government and Public Affairs. Mr. Sydnor has been with the District for over 14 years and has been active in the clean water sector for over 20 years. He has a Masters of Engineering and BS in Civil Engineering from the University of Louisville and serves on various professional association and environmental boards throughout the community. He currently leads communications, regionalization, and legislative engagement for the District.

Employees and Labor Relations

The total number of authorized employees of the District for Fiscal Year 2025 is 874. As of July 1, 2024, the district had 763 full-time employees. Of the District’s employees, 306 are represented by one of two labor unions. The Laborers International Union of North America Local 576 operates under a collective bargaining agreement which became effective March 1, 2023, and expires February 28, 2028. The National Association of Government Employees Local 189 operates under a collective bargaining agreement which became effective February 19, 2022, and expires February 28, 2027.

The following table shows the total years of service of the District’s employees.



Retirement/Pension Plan

All full-time and eligible part-time employees of the District participate in the County Employee Retirement System (“CERS”), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority (“KPPA”), an agency of the Commonwealth. The District is required to contribute an actuarially determined percentage of each eligible employee’s creditable compensation. Per the Kentucky Revised Statutes, contribution rates shall be determined by the KPPA Board based on an annual valuation as of the last preceding July 1 of a new biennium. For the fiscal year ended June 30, 2024, participating CERS employers contributed 23.34% (23.34 % allocated to pension and 0.00% allocated to other post-employment benefits) of each nonhazardous employee's creditable compensation. The District has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2024. The District has an unfunded pension liability of \$119,969,522 and an unfunded other post-employment benefits liability of (\$2,581,356) as of June 30, 2023.

Risk Management & Insurance

The District is exposed to various risks of loss related to torts, theft, damage, destruction of assets, natural disasters, and injuries to its employees. These risks are provided for through various insurance policies (including general liability, worker’s compensation, property, flood, crime, terrorism, public official’s liability, employment practices liability and cyber liability) which became effective July 1, 2024, and expire June 30, 2025.

Risks from Unexpected Events

Climate Change Storm Risk

One of the objectives of the District’s Facility Plan is to recognize and respond to the impact of changing weather patterns, including the increased frequency of extreme storms. Statistical data show an increase in the volume of rain in the District’s local service area as a result of more severe and intense storms. As part of the process of developing and adopting the Facility Plan, the District has taken into account this increased frequency of extreme storms, presumably related to the effects of global climate change, with an approach aimed at providing protection to properties and buildings from surface flooding across the entire county from a 10-year storm. The Facility Plan also provides guidance on reducing (but not eliminating) the risk associated with localized, unusual weather events. The Facility Plan thus takes into account climate change as an issue affecting the resilience of the District’s storm water treatment and drainage system and the effect on customer protection by focusing on the ability of the District’s infrastructure to function effectively under different potential storm patterns. While the District is attempting to address climate change risks through its Facility Plan, the District cannot predict what effects these events may have on the District’s ability to generate revenues but the effects may be materially adverse.

Cybersecurity

The District is faced with a variety of cybersecurity risks on a daily basis ranging from individual hackers to coordinated attacks. The District employs the following processes to assess, identify and manage cybersecurity risk.

Identification of Risk – The District utilizes multiple sources to identify cybersecurity risks which include but are not limited to the following: monthly vulnerability scanning (e.g. Nessus),

daily/weekly review of threat intelligence sources (e.g. CISA, MS-ISAC, Water-ISAC, etc.), external assessment of cybersecurity program every 3 years, annual assessment of cybersecurity program and vulnerability scan by cybersecurity insurance vendor, and weekly input from the District's cybersecurity managed service provider.

Assessment of Risk – The District leverages and references the NIST Risk Management Framework. The District's Information Technology (“IT”) department determines if controls are in place to address various risks. If no sufficient controls are in place, the team determines the potential business impact of each risk, the likelihood of risk occurrence, and the effort and cost to deploy controls. This information is used to determine if the District should accept the risk or develop plans to mitigate or avoid the risk.

Management of Risk – The District manages cybersecurity risk through multiple activities and programs which include but are not limited to monthly vulnerability scanning and mitigation, continuous security monitoring and anomaly detection, cybersecurity awareness and training program, robust patch management program, testing/verifying backup and recovery processes, reporting key cybersecurity metrics to steering committees, disaster response and incident response planning and exercises, and periodic review of key controls.

Management plays a role in assessing and managing material cybersecurity risks in a variety of ways.

Information Security Steering Committee (“ISSC”) – The ISSC consists of Directors and/or Chiefs from Legal, HR, Operations, Records, Internal Audit, and Information Technology. The ISSC meets monthly to review cybersecurity projects, metrics, risks, policy/procedures, and budget. The ISSC members use their expertise and background to help provide guidance and oversight to each of these topics.

Information Technology Steering Committee (“ITSC”) – The ITSC consists of the Executive Director (Chair) and Chiefs from Engineering, Finance, Operations, HR and Procurement. The ITSC meets monthly and receives information on cybersecurity metrics and risks. Additionally, the ITSC acts as an escalation point for the ISSC to provide guidance on cybersecurity risks, issues, or decisions that require Executive Director and Chief visibility.

The District's Internal Audit department sponsors an external audit of the District's IT cybersecurity program every 3 years. The findings from this audit and IT's mitigation plans are shared with the District's Board Audit Committee. The IT department is required to report on the status of these mitigation plans to the Audit Committee until the findings are fully addressed.

The District reviews and updates the Information Security Policy and the Acceptable Use of Technology Policy every 3 years. Any updates to these Policies must be reviewed and approved by the District's Board Audit Committee.

Regulatory Overview

The District is subject to Federal, State and Local environmental statutes and regulations. At the Federal level, the Clean Water Act (“CWA”) and relevant regulations direct the standards the District must meet. The National Pollutant Discharge Elimination System (“NPDES”) permit program, created in 1972 by the CWA, helps address water pollution by regulating point sources that discharge pollutants to waters of the United States. These permits provide two types of control: technology-based limits and water quality-based limits.

The United States Environmental Protection Agency (the “EPA”) has delegated authority to issue NPDES permits to the Kentucky Energy and Environment Cabinet (the “EEC”). Therefore, the District is also governed by Kentucky Revised Statute Chapter 224 and regulations promulgated thereunder. Specifically, Title 401 Chapters 5, 9, 10 and 11 of the Kentucky Administrative Regulations (the “KAR”) apply to the District. The Kentucky Pollutant Discharge Elimination System (“KPDES”) permits are issued by EEC’s, Division of Water. Pursuant to 401 KAR Chapter 5, the District holds 20 KPDES permits. The District also holds a permit for its separate storm sewer system. The Municipal Separate Storm Sewer System (“MS4”) program is responsible for the regulation of polluted stormwater runoff that is commonly transported through MS4s, from which it is often discharged untreated into local waterbodies. KPDES permits are effective for a 5-year period and are administratively continued upon a complete renewal application. Administratively continued permits remain fully effective and enforceable.

The District has an approved Pretreatment Program. The national pretreatment program is a component of the NPDES permit program. It is a cooperative effort of federal, state, and local environmental regulatory agencies established to protect water quality. Similar to how EPA authorized the NPDES permit program to the Commonwealth of Kentucky, EPA and EEC approved the District to perform permitting, administrative, and enforcement tasks for indirect discharges into the District’s facilities. The pretreatment program is designed to protect the District’s infrastructure and reduce conventional and toxic pollutant levels discharged by industries and non-domestic wastewater sources into sewer systems and the environment.

Locally, the District is governed by the Louisville Air Pollution Control District (the “APCD”), which has authority from EPA and EEC to administer the Clean Air Act and local air pollution regulations. Currently, the District holds one Federally Enforceable District Origin Operating Permit at its Morris Foreman Quality Treatment Center. APCD regulations are adopted by its Board, pursuant to Kentucky Revised Statute Chapter 77.

Enforcement Actions

In addition to the Federal Consent Decree (see CAPITAL IMPROVEMENT PROGRAM), the District is under two Agreed Orders with the Energy and Environment Cabinet and one Board Order with the Air Pollution Control District.

DOW-21-3-0178 District Acquisition of Bullitt County Sanitation District - In 2021 the District acquired assets in the Bullitt County Sanitation District (the “BCSD”) service area. The assets included 293,000 linear feet of sewer, 24 pump stations, and 9 wastewater treatment facilities. The BCSD system suffered from sanitary sewer overflows, bypasses, capacity limitations, permit violations and safety issues at the pump stations and treatment facilities. The District entered into an Agreed Order with EEC to ensure the facilities were brought into compliance under an appropriate schedule. Under the Agreed Order, the District will submit an Initial Phase, Intermediate Phase and Long-term Action Plan to address the needs of the system. The Agreed Order does not provide for stipulated penalties, and EEC agrees not to pursue enforcement of permit violations so long as the District is compliant with the terms of the Agreed Order.

DOW-150220 Morris Forman Wastewater Treatment Plant - In 2018, the District entered into an Agreed Order with EEC regarding a process water line that had ruptured in 2014, a mechanical failure caused by a lightning strike in 2015, and violations for biochemical oxygen demand and total suspended solids under the KPDES permit. Under the Agreed Order, the District was to develop and submit a Corrective Action Plan (the “CAP”) and complete a Supplemental Environmental Project identified as the Mud Lane Interceptor. The Mud Lane Interceptor’s final

completion date was November 9, 2020. The CAP was approved by the EEC on January 26, 2021. The CAP projects total over \$175,453,000. All of the CAP projects have been completed, with the remaining project, Sedimentation Basin Rehabilitation scheduled for completion in June 2026. The CAP projects are intended to ensure that Morris Forman Wastewater Treatment Plant can meet its KPDES permit limits. The Agreed Order provides that the District shall pay EEC a stipulated penalty of \$2,500 for any permit exceedance that is greater than 200% of the permit limit.

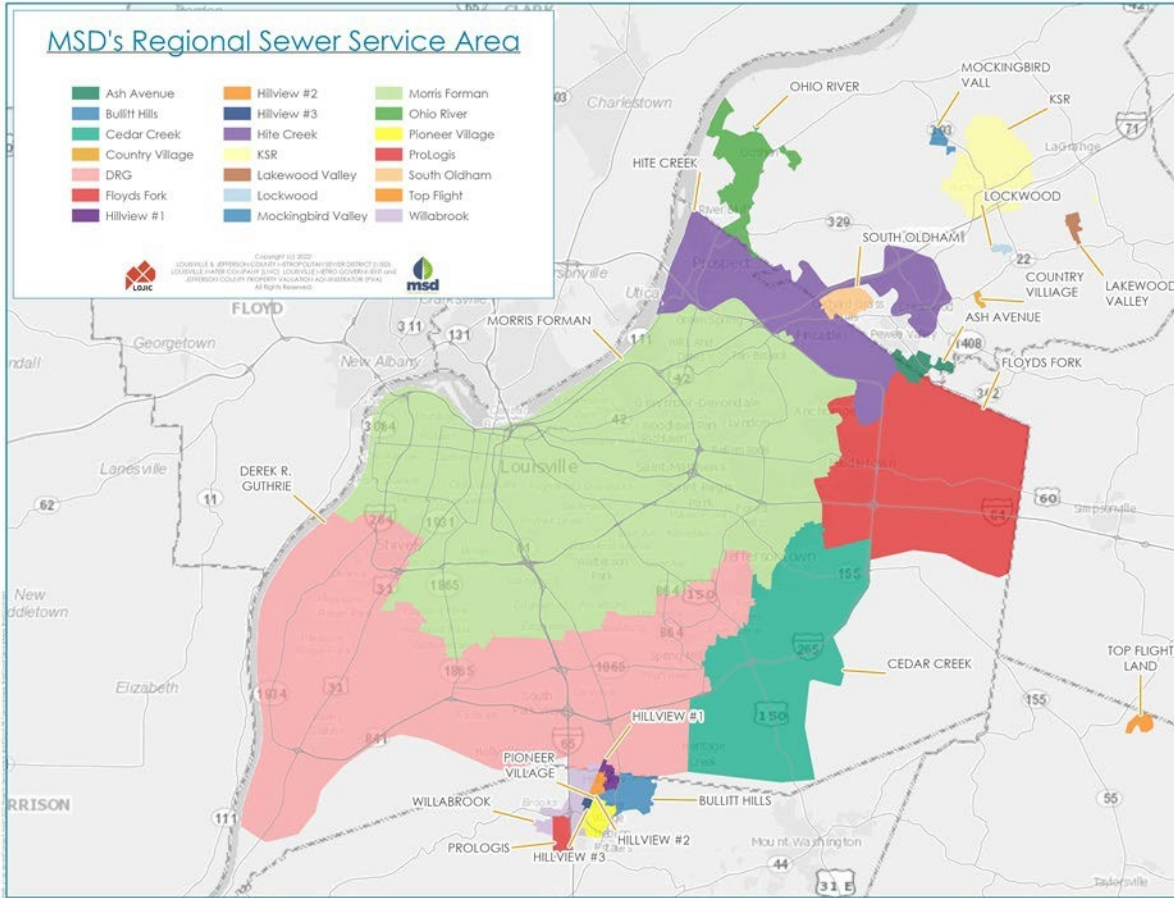
APCD Board Order - In 2021, the District entered into Agreed Board Order with APCD to address community odor complaints. It required the District to develop and implement a county-wide Odor Control Master Plan focusing on Morris Forman Water Quality Treatment Center and collection system between 9th Street and the Ohio River. The District was also required to develop an odor outreach communications plan, a collection system service schedule and public odor complaint log. All task for the agreed order have been completed. APCD has requested the District enter into a second Agreed Board Order to track completion of odor remedial projects and implement a compliance schedule.

Future Regulatory Obligations

As with many large utilities, the District faces growing regulatory obligations and uncertainties, including nutrient reduction, PFAS, and combined sewer overflow/Long-term Control plan requirements. Any one of these would require significant expenditures for additional capital improvements. However, the District cannot predict the scope or effect of future Federal, State or Local regulatory actions that could require significant expenditures for capital improvements.

The Wastewater System

The District is authorized by KRS Chapter 76 to provide wastewater collection, treatment, and disposal services in Jefferson County. The District's sewer system extends throughout much of the developed portions of Jefferson County and includes approximately 600 miles of combined sewers (which carry sanitary wastewater during dry weather and a combination of stormwater and sanitary wastewater during wet periods), 2,700 miles of sanitary sewers, more than 260 pumping stations, five regional Water Quality Treatment Centers, and an estimated 1,400 miles of lateral connections to buildings. Through inter-local agreements, the District also provides wastewater collection, treatment, and disposal services to portions of Oldham County and Bullitt County.



The District's wastewater treatment capacity as of June 30, 2023, the most recent available data, was as follows:

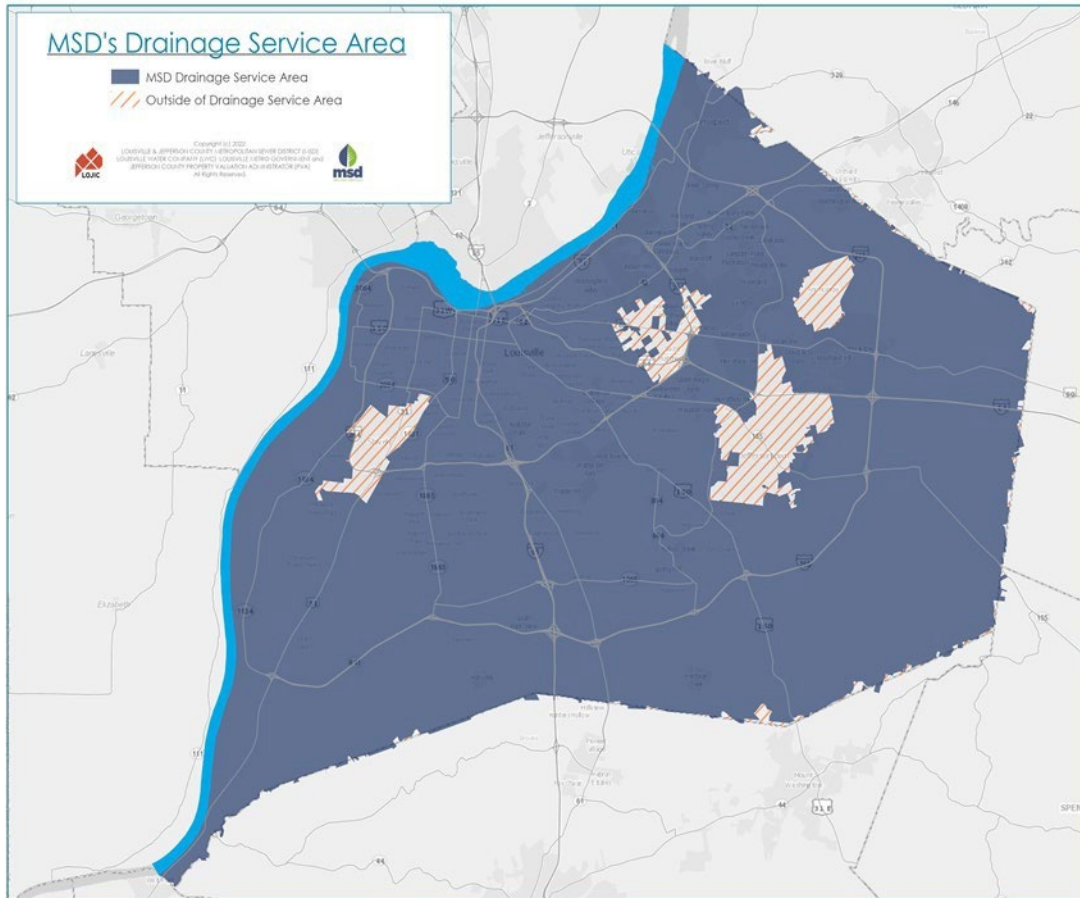
WASTEWATER TREATMENT PLANT CAPACITY									
Plant	Current Capacity	Avg Daily Flow	Eventual Capacity	Customer Base			Year	Built	Treatment Process
	MGD	MGD	MGD	Residential	Commercial	Industrial	Total		
Morris Forman	120.0	100.3	120.0	119,567	13,552	301	133,420	1958	Secondary added in 1976.
Derek R. Guthrie	60.0	37.6	60.0	64,416	3,818	44	68,278	1986	Secondary
Cedar Creek	7.5	6.9	11.3	19,331	1,101	14	20,446	1995	Tertiary: sand filter
Floyds Fork	6.5	3.8	9.8	10,818	588	5	11,411	2001	Tertiary: sand filter
Hite Creek	9.0	4.3	9.0	10,959	683	9	11,651	1970	Tertiary: sand filter
Oldham County Plants	4.3	2.7	4.3	5,238	39	1	5,278	Varies	
Bullitt County Plants	1.7	1.5	1.7	4,003	116	1	4,120	Varies	
Total Treatment System	209.0	157.1	216.0	234,332	19,897	375	250,484		

MGD: Million Gallons per Day
Source: Louisville/Jefferson County Metropolitan Sewer District

The Drainage System

Under an interlocal government cooperation agreement effective January 1, 1987, the District became the sole local authority for providing flood control and storm water drainage services in the Drainage Service Area. The District is responsible for the operation, maintenance, replacement, improvements and additions to existing flood control facilities and public storm water drainage facilities

within the Drainage Service Area. The stormwater drainage system is comprised of various types of facilities to collect, convey, retain, and discharge stormwater runoff into the sewers, rivers, streams, and creeks eventually draining into the Ohio River. These facilities include open channels, ditches, streams, ponds, pipes, culverts, conduits, bridge structures, detention basins, retention basins, pump stations, and other facilities. By having a single authority responsible for drainage services and a dedicated source of revenue, the community benefits by having a more efficient, cost-effective drainage service program.



SERVICE AREA INFORMATION

The combined area of the former City and the County ("Louisville Metro") is located in the north-central portion of the Commonwealth on the south bank of the Ohio River. Louisville Metro is the largest city in Kentucky and is the core of the Louisville Metropolitan Statistical Area ("Louisville MSA") which includes, in addition to Louisville Metro, the counties of Bullitt, Oldham and Shelby, in Kentucky, and Clark, Floyd, and Harrison, in Indiana. The Louisville MSA has exhibited a nationally familiar pattern of population dispersion from its core urban area to the balance of Louisville Metro, and from Louisville Metro to the adjacent counties in Kentucky and Indiana.

Annual Population Estimates		
Rank	Louisville Metro ⁽¹⁾	Louisville MSA ⁽²⁾
1970	695,000	991,801
1980	684,300	1,054,368
1990	665,200	1,058,425
2000	693,604	1,161,975
2010	742,054	1,267,691
2014	761,725	1,269,702
2015	764,946	1,278,413
2016	767,464	1,350,207
2017	769,828	1,293,953
2018	768,101	1,297,301
2019	766,757	1,265,108
2020	782,123	1,285,058
2021	777,874	1,284,566
2022	773,399	1,284,553
2023	777,874	1,284,826

⁽¹⁾Source: Population Division, U.S. Census
⁽²⁾Source: Population Division, U.S. Census
Bureau website: www.census.gov
(Louisville/Jefferson County, KY-IN)

According to the Bureau of Labor Statistics, Louisville employment was at 639,369 jobs in May of 2024 compared to 640,314 jobs in May 2023, a decrease of 0.15%. The unemployment rate for Jefferson County, Kentucky, was listed at 4.0% in May 2024 compared to 3.5% in May of 2023. Following is a list of major employers in the metropolitan area.

Louisville Metro Major Employers		
Rank	Company	Employment
1	United Parcel Service Inc.	24,000
2	Norton Healthcare Inc.	16,785
3	UofL Health Inc.	14,654
4	Jefferson County Public Schools	14,000
5	Ford Motor Co.	12,531
6	Baptist Healthcare System Inc.	11,085
7	Humana Inc.	10,000
8	GE Appliances	8,400
9	University of Louisville	7,302
10	Walmart Inc.	7,000

Source: *Louisville Business First* (July 2024)

RATES AND CHARGES

Wastewater Service and Drainage Service Charges

The District derives its revenue for wastewater service and drainage service from the collection of rates, rentals and charges established in accordance with the provisions of the Act for services rendered within the Service Area to customers served by the District's facilities. These rates are billed simultaneously with the water bill on a monthly or bimonthly statement payable in total for wastewater, drainage and water service rendered. The District's wastewater service rates include a fixed service charge based on the size of the public water meter serving the property plus a charge for each 1,000 gallons of water consumed on the premises. Customers have the option of installing private meters to record water usage which does not enter the sewers.. Drainage service rates are charged based on measured impervious areas with one equivalent service unit assigned for each 2,500 square feet of impervious area (residential unit). All residential drainage service customers pay the rate for one equivalent service unit.

Louisville Water Company

The Louisville Water Company bills and collects wastewater service rates and drainage service rates on behalf of the District under an agreement executed in December 2021, which extends until December 2027, and covers all of the District's customers in Jefferson County, Bullitt County, and portions of Oldham County. Payments received on customer accounts are applied based on the proportionate percentage of the balance owed to the Louisville Water Company and to the District. In the event of nonpayment of any such wastewater rates, rentals, or charges for a period of more than 30 days after they become due and payable, the Louisville Water Company is required by law to discontinue water service.

The Louisville Water Company is currently implementing an Advanced Metering Infrastructure project. The project automates the meter reading process and enables monthly billing. Customers are being converted to monthly billing in cycles. To date, 162,000 of the District's customers have been converted to monthly billing. It is expected that all customers will be converted to monthly billing by the end of calendar year 2025.

Oldham County Water District

Portions of the District's Oldham County service area receive water service from Oldham County Water District. Wastewater service rates for these customers are billed and collected by Oldham County Water District on behalf of the District under the terms of an agreement assumed on July 1, 2020. Payments received on customer accounts are applied based on the proportionate percentage of the balance owed to Oldham County Water and to the District. All bills not paid on or before the past due date shall be deemed delinquent and provided a final written notice. If the delinquent bill is not paid with 10 days after date of the final notice, the water service may be discontinued. All Oldham County Water District customers are billed on a monthly basis.

The District's wastewater and drainage service revenues for the most recent five fiscal years for which data are available were as follows:

Wastewater Revenue

(\$ in thousands)

Fiscal Year	Residential	Commercial	Industrial	Other	Total
2019	\$ 122,830	\$ 71,054	\$ 23,172	\$2,412	\$ 219,468
2020	140,125	74,134	21,759	1,789	237,807
2021	148,091	74,460	23,080	171	245,802
2022	156,764	86,010	23,558	3,734	270,066
2023	\$ 167,136	\$ 94,538	\$ 24,938	\$4,085	\$ 290,697

Drainage Revenue

(\$ in thousands)

Fiscal Year	Residential	Commercial	Industrial	Other	Total
2019	\$ 25,716	\$ 38,775	\$ 4,373	\$ 842	\$ 69,706
2020	27,684	41,960	4,815	593	75,052
2021	29,413	45,220	5,239	43	79,715
2022	31,497	48,526	5,670	1,111	86,804
2023	\$ 34,340	\$ 52,462	\$ 6,277	\$1,387	\$ 94,466

Source: Louisville/Jefferson County Metropolitan Sewer District

Rate Making Process

To amend its Jefferson County Schedule of Rates, Rentals and Charges in effect from time to time, the District adopts and publishes a preliminary rate resolution, receives public comment for a period of 30 days, and then adopts a final rate resolution. The Metro Government’s Code of Ordinances provides that, in the event the District’s net revenues are less than 1.10 times the debt service on the District’s outstanding revenue bonds for any consecutive six-month period, the District’s Schedule of Rates, Rentals and Charges shall be amended in order to maintain such 1.10 debt service coverage, provided that the aggregate of the adjustments for any 12-month period shall not generate additional revenue from wastewater and drainage service charges in excess of 7% and that an explanation of proposed rate increases in excess of 4% shall be delivered to the Metro Council at least 60 days prior to the approval of the District’s Board. Any rate increase that would generate additional revenue from wastewater and drainage service charges in excess of 7% for a 12-month period requires Metro Council approval. “Net revenues” are defined for such purpose as gross revenue from wastewater service charges less operating expenses and debt service payments other than debt service payments on the District’s outstanding revenue bonds.

On July 1, 2020, the District acquired the wastewater system of Oldham County Environmental Authority pursuant to the terms of an Interlocal Cooperation Agreement entered into on November 18, 2019. For fiscal year 2023, and years thereafter, the District will increase wastewater rates by no more than 5% annually until such rates equalize with Jefferson County rates.

On November 30, 2021, the District acquired the wastewater system of the Bullitt County Sanitation District including the Big Valley and Hunters Hollow systems pursuant to the terms of an Interlocal Cooperation Agreement dated May 6, 2021, as amended. The initial charges by the District applicable to wastewater service and wastewater capacity were no more than the charges being paid immediately prior to the transfer of the system. From and after the date of transfer through December 31, 2026, increases in rates for wastewater service will not exceed the 12% annual increase authorized by Bullitt County Ordinance No. 17-2 adopted by Bullitt County Fiscal Court on February 7, 2017. Starting January 1, 2027, and years thereafter, the District will increase wastewater rates by no more than 3% annually until such rates equalize with Jefferson County rates.

On December 18, 2023, the District’s Board approved a 12% increase in wastewater service and volume charges for the District’s Bullitt County service area, effective January 1, 2024.

On May 28, 2024, the District’s Board approved a preliminary 6.9% increase in wastewater and drainage service charges for the District’s Jefferson County service area effective August 1, 2024. The Board will vote on a final rate resolution at its meeting on July 29, 2024.

On May 28, 2024, the District’s Board approved a preliminary 5% increase in wastewater service and volume charges for the District’s Oldham County service area effective August 1, 2024. The Board will vote on a final rate resolution at its meeting on July 29, 2024.

Rate History

The following table shows the District’s rate adjustment history for the last five years.

Historical Rate Increases					
	FY20	FY21	FY22	FY23	FY24
Jefferson County Service Area	6.90%	5.00%	6.90%	5.00%	6.90%
Bullitt County Service Area	NA	NA	12.00%	12.00%	12.00%
Oldham County Service Area	NA	0.00%	0.00%	-10.00%	5.00%

Source: Louisville/Jefferson County Metropolitan Sewer District

Collections

Pursuant to KRS 76.090, whenever any wastewater rates, rentals, or charges for services remains unpaid for a period of 30 days after the same becomes due and payable, the property, the owner thereof, and the user of the service shall be deemed delinquent until such time as all service rates, rentals and charges are fully paid and shall be subject to cut off of sewer connection and service, and the discontinuation of water service.

The District adds a Delinquent Bill Penalty to all wastewater and drainage service bills not paid by their due dates in the amount of 5% of the outstanding balance.

The following table shows the District’s delinquent customer balances for the last five years.

Delinquent Customer Balances				
<i>(\$ in thousands)</i>				
Fiscal Year	Delinquent Wastewater Balance	Percent of Wastewater Revenue	Delinquent Drainage Balance	Percent of Drainage Revenue
2019	\$ 1,532	0.7%	\$ 961	1.4%
2020	3,289	1.4%	1,278	1.7%
2021	5,404	2.2%	1,648	2.1%
2022	4,627	1.7%	1,483	1.7%
2023	\$ 3,513	1.2%	\$ 2,021	2.1%

Source: Louisville/Jefferson County Metropolitan Sewer District

Customer Growth

The following tables show the growth in the total number of the District’s wastewater customers and drainage service customers. Wastewater customer growth in fiscal year 2021 was primarily due to the District’s acquisition of the former Oldham County Environmental Authority service area. This acquisition added approximately 6,000 wastewater customers. Wastewater customer growth in fiscal year 2022 was primarily due to the District’s acquisition of the former Bullitt County Sanitation District service area. This acquisition added approximately 4,000 wastewater customers. The following tables show the most recently available data on the District’s customers.

Historical Active Wastewater Customer Totals					
	FY 19	FY 20	FY 21	FY 22	FY 23
Residential	220,412	221,796	230,157	234,362	236,020
Commercial	19,373	21,331	21,537	21,851	21,919
Industrial	360	385	390	394	394
Total	240,145	243,512	252,084	256,607	258,333
% Growth	0.53%	1.40%	3.52%	1.79%	0.67%

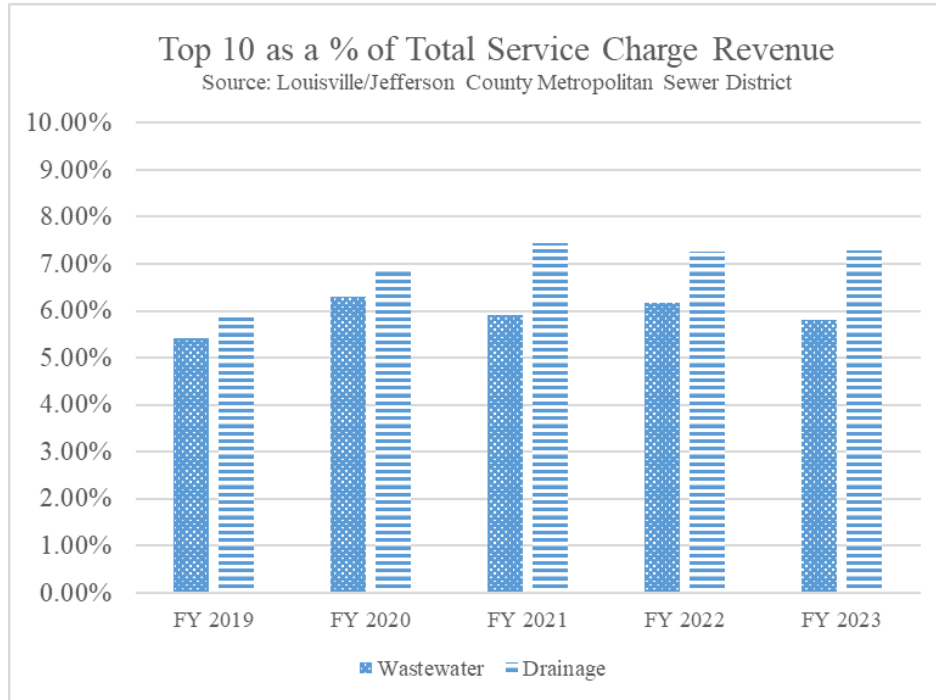
Source: Louisville/Jefferson County Metropolitan Sewer District

Historical Active Drainage Customer Totals					
	FY19	FY 20	FY 21	FY22	FY 23
Residential	206,499	207,317	208,060	209,335	210,242
Commercial	14,024	14,087	14,062	14,040	13,950
Industrial	257	271	269	274	279
Total	220,780	221,675	222,391	223,649	224,471
% Growth		0.41%	0.32%	0.57%	0.37%

Source: Louisville/Jefferson County Metropolitan Sewer District

Top 10 Customers

The following table shows the most recently available data on the District’s top 10 wastewater and drainage customers as a % of total revenue.



The following tables shows the District's top 10 wastewater and drainage customers in fiscal year 2023, the most recently available data.

Top 10 Wastewater Customers			
Rank	Customer Name	FY '23 Wastewater Billed	Percent Total Wastewater Revenue
1	Heaven Hill Distilleries Inc	\$ 5,035,257	1.73%
2	Lubrizol Advanced Material	2,271,808	0.78%
3	The Chemours Company FC LLC	1,967,224	0.68%
4	Early Times Distillery	1,726,439	0.59%
5	Ford Motor Company	1,384,127	0.48%
6	Swift Pork Co	1,153,172	0.40%
7	Haier US Appliance Solutions Inc	1,038,809	0.36%
8	Rohm & Haas	970,097	0.33%
9	Republic Conduit Manufacturing	675,331	0.23%
10	Louisville Metro Housing Auth	672,593	0.23%
Total		16,894,857	5.81%
Total FY 23 Wastewater Revenue:		\$ 290,696,742	

Source: Louisville/Jefferson County Metropolitan Sewer District

Top 10 Drainage Customers			
Rank	Customer Name	FY 23' Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$ 1,890,881	2.00%
2	United Parcel Service	1,538,822	1.63%
3	Jeff Co Board Of Education	976,873	1.03%
4	Ford Motor Company	484,892	0.51%
5	Regional Airport Authority	382,363	0.40%
6	Lit Industrial Limited Partner	371,196	0.39%
7	Kentucky State Fair Board	339,704	0.36%
8	Churchill Downs Inc	314,703	0.33%
9	The U Of L Campus	301,156	0.32%
10	Seaboard Systm Rr-00822	290,570	0.31%
Total		6,891,159	7.29%
Total FY 23 Drainage Revenue:		\$ 94,465,996	

Source: Louisville/Jefferson County Metropolitan Sewer District

FINANCIAL OPERATIONS

Historical Financial Operations

The District derives its revenues primarily from customer payments for wastewater and stormwater services, which accounts for 98% of operating revenues. Other operating revenues include inflow and infiltration fees, capacity charges and other miscellaneous system fees and charges, which account for the remaining 2% of operating revenues. Non-operating revenues include interest income earned on investments and the federal interest subsidy on the District's Build America Bonds. The current portion of assessments payments is also included in non-operating revenue for purposes of coverage calculations per the Resolution.

The District's Finance Department provides detailed monthly reports on cash and investments, revenues, expenses, variances to budget and capital spending to management and the Board. The following table presents historical revenues, expenses and changes in net position using information contained in the audited financial statements for fiscal years 2019 through 2023, the most recent years available. The District's audited financial statements for the fiscal year ended 2023 are found in Appendix B. The interim unaudited financial statements of the District for the fiscal period ended May 31, 2024, are found in Appendix C.

Historical Revenues, Expenses and Changes in Net Position					
(\$ in thousands)					
	FY19	FY20	FY21	FY22	FY23
Operating revenue:					
Wastewater service charges	\$ 219,467	\$ 237,807	\$ 245,802	\$ 270,066	\$ 290,697
Drainage service charges	69,706	75,052	79,915	86,804	94,466
Other operating income	5,195	6,198	3,701	8,497	6,863
Total operating revenue	<u>294,368</u>	<u>319,057</u>	<u>329,418</u>	<u>365,367</u>	<u>392,026</u>
Operating expenses:					
Service and administrative costs	154,325	167,771	170,073	169,869	167,924
Capitalization/recovery of cost	(38,383)	(39,643)	(41,785)	(42,166)	(41,151)
Depreciation and amortization	87,882	98,872	97,874	103,964	114,562
Total operating expenses	<u>203,824</u>	<u>227,000</u>	<u>226,162</u>	<u>231,667</u>	<u>241,335</u>
Income (loss) from operations	<u>90,544</u>	<u>92,057</u>	<u>103,256</u>	<u>133,700</u>	<u>150,691</u>
Non-operating revenue (expense):					
Gain/Loss Disposal of Assets	15	(15,008)	(21)	124	(14,320)
Investment income	8,338	5,275	1,777	(1,467)	7,253
Build America bond refund	10,339	10,325	10,398	10,344	11,350
Interest expense - bonds	(94,831)	(92,274)	(93,067)	(86,792)	(91,736)
Interest expense - swaps	(6,468)	(8,027)	(9,793)	(9,502)	(3,988)
Interest expense - other	(13,497)	(13,129)	(13,104)	(12,873)	(15,337)
Amortization of debt discount/premium	14,344	12,688	17,429	17,172	13,189
Amortization of loss on refunding	(2,817)	(2,404)	(3,107)	(3,768)	(3,631)
Capitalized interest	18,582	13,043	12,049	7,464	6,961
Change in fair values - swaps	(13,597)	812	8,796	11,293	7,614
Total non-operating revenue (expenses), net	<u>(79,592)</u>	<u>(88,699)</u>	<u>(68,643)</u>	<u>(68,005)</u>	<u>(82,645)</u>
Net income / (loss) before contributions	<u>10,952</u>	<u>3,358</u>	<u>34,613</u>	<u>65,695</u>	<u>68,046</u>
Contributions	<u>50,926</u>	<u>9,085</u>	<u>16,422</u>	<u>9,572</u>	<u>13,201</u>
Increase (decrease) in net position	<u>61,878</u>	<u>12,443</u>	<u>51,035</u>	<u>75,267</u>	<u>81,247</u>
Net position, beginning of year	708,674	770,552	796,730	847,765	923,032
Net position, OCEA merger	-	13,735	-	-	-
Net position, beginning of year, as restated	<u>708,674</u>	<u>784,287</u>	<u>796,730</u>	<u>847,765</u>	<u>923,032</u>
Net position, end of year	<u>\$ 770,552</u>	<u>\$ 796,730</u>	<u>\$ 847,765</u>	<u>\$ 923,032</u>	<u>\$ 1,004,279</u>

Source: Louisville/Jefferson County Metropolitan Sewer District

The following table presents pledged revenue coverage for each of the last five fiscal years, the most recent years available.

Historical Pledged Revenue Coverage					
(\$ in thousands)					
	FY19	FY20	FY21	FY22	FY23
Revenues:					
Service charges	\$289,173	\$312,859	\$325,717	\$356,870	\$385,163
Other operating income	5,195	6,198	3,701	8,497	6,863
Assessments	1,258	909	799	583	429
Investment income	18,692	15,600	12,175	8,877	18,603
Less: capitalized investment income	-	-	-	-	-
Total revenues	314,318	335,566	342,392	374,827	411,058
Operating expenses:					
Service and administrative costs ¹	142,082	149,945	151,527	161,144	165,792
Less: capitalized overhead	(38,383)	(39,643)	(41,785)	(42,166)	(41,151)
Total operating expenses	103,699	110,302	109,742	118,978	124,641
Net revenues	210,619	225,264	232,650	255,849	286,417
Aggregate debt service:					
Current maturities - senior lien	40,358	40,637	43,802	51,597	52,838
Interest expense - senior lien	94,831	92,274	93,067	86,792	91,736
Less: capitalized interest expense	(18,582)	(13,043)	(12,050)	(7,464)	(6,961)
Aggregate net debt service	\$116,607	\$119,868	\$124,819	\$130,925	\$137,613
Pledged revenue coverage ratio	181%	188%	186%	195%	208%
¹ Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year					
Source: Louisville/Jefferson County Metropolitan Sewer District					

Projected Financial Operations

Projected revenues and expenses of the District for the current and future fiscal years are presented in the following table. The projected revenues reflect the increases in rates and charges adopted by the District for fiscal year 2025 and the anticipated increases in rates and charges for fiscal years 2026 through 2029. The projected financial results for fiscal years 2025 through 2029 incorporate assumptions as of the date of this Official Statement. The projected debt service requirements include estimated debt service for the Series 2024A Bonds.

The information presented on projected revenues and expenses constitutes a "forward looking statement" under federal securities law. Actual revenues, expenses, or both could differ materially from those forecasted and there can be no assurance that such estimates of future results will be achieved. For example, there can be no assurance that the District's Board will approve any proposed revision of the District's Schedule of Rates, Rentals and Charges. In general, important factors that could cause actual results to differ materially from the revenues or expenses presently estimated include, but are not limited to, material changes in the size and composition of the District's service area, unanticipated changes in law or unanticipated material litigation, a material downturn in economic activity, efficiency of operations and the capital construction and expenditure plans and results of the District.

Projected Financial Results					
Fiscal Years ended/ending June 30					
(\$ in thousands)					
	FY25	FY26	FY27	FY28	FY29
	Budget	Projected	Projected	Projected	Projected
Rate Increase ¹	6.90%	6.90%	6.90%	6.90%	6.90%
Operating Revenues					
Wastewater service charges	\$ 320,022	\$ 339,857	\$ 360,729	\$ 382,669	\$ 405,959
Drainage service charges	104,366	111,568	119,266	127,495	136,292
Other operating income	8,157	8,889	8,523	8,706	8,614
Total Operating Revenues	432,545	460,314	488,518	518,870	550,865
Non-Operating Revenues					
Assessments	243	195	156	125	100
BAB refund	10,986	10,986	10,986	10,221	10,221
Investment income	7,465	7,726	7,958	8,197	8,442
Total Non-Operating Revenues	18,694	18,907	19,100	18,543	18,763
Total Available Revenue	451,239	479,221	507,618	537,413	569,628
Operating Expenses					
Total operating expenses ²	202,610	213,368	221,773	231,328	240,710
Capitalized cost	(46,600)	(46,941)	(46,572)	(46,266)	(48,142)
Net Operating Expense	156,010	166,427	175,201	185,062	192,568
Net Revenues Available for Debt Service	295,229	312,794	332,417	352,351	377,060
Debt Service					
Total senior debt service ³	156,671	166,406	193,096	200,185	200,327
Capitalized interest	(9,238)	(9,748)	(10,437)	(10,994)	(10,943)
Total subordinated debt service	28,693	33,885	33,521	34,917	32,925
Total Outstanding & Projected Debt Service	176,126	190,543	216,180	224,108	222,309
Pledged Revenue Coverage	200%	200%	182%	186%	199%
Total Debt Service Coverage	168%	164%	154%	157%	170%
Aggregate Net Debt Service ⁴	147,433	156,658	182,659	189,191	189,384
110% of Aggregate Net Debt Service	162,176	172,324	200,925	208,110	208,322
Subordinate Debt Service	28,693	33,885	33,521	34,917	32,925
110% of Subordinated Debt Service	31,562	37,274	36,873	38,409	36,218

¹ Jefferson County rate increase.

² Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.

³ Projections assume bonds are issued on a senior lien basis.

⁴ As defined by General Bond Resolution

Source: Louisville/Jefferson County Metropolitan Sewer District

CAPITAL IMPROVEMENT PROGRAM

General

The District annually adopts a five-year Capital Improvement Program (the “CIP”) to deliver core services, comply with regulatory requirements and to renew, rehabilitate, and replace critical system assets. Projects in the CIP are prioritized based on regulatory deadlines and risk assessments that were completed during the development of the District’s Facility Plan. The CIP is updated annually by the District’s Engineering department management and staff, Operations department management and external engineering consultants.

The CIP for fiscal years 2025 – 2029 was approved the District’s Board on May 28, 2024. The CIP is dynamic and requires review and modification during the year. The CIP Management Team is tasked with monthly review of the CIP and makes major project and program change decisions. Voting members are the Executive Director, Chief Engineer, Chief of Operations, Chief Strategy Officer for Business Transformation and Regulatory Compliance and the Chief Financial Officer. The following table shows the current CIP summarized by program type.

Five-Year CIP						
<i>(\$ in thousands)</i>						
	FY25	FY26	FY27	FY28	FY29	Total
Wastewater	\$ 191,831	\$ 213,540	\$ 186,561	\$ 157,164	\$ 143,787	\$ 892,883
Drainage	7,787	7,470	9,198	9,041	5,892	39,388
Flood Protection	77,798	74,481	17,661	28,792	17,349	216,081
Support Systems	16,315	14,595	12,265	8,035	9,099	60,309
Management Reserve	5,100	101	627	6,233	33,577	45,638
Total CIP	\$ 298,831	\$ 310,187	\$ 226,312	\$ 209,265	\$ 209,704	\$ 1,254,299

Source: Louisville/Jefferson County Metropolitan Sewer District

The CIP is funded with a mixture of cash provided by operations, grants, and debt. The District pursues low-cost financing opportunities through the Kentucky Infrastructure Authority’s (the “KIA”) State Revolving Fund loan program and the EPA’s Water Infrastructure Finance Innovation Act. The remaining balance of the CIP is funded with revenue bond debt. The following table summarizes funding sources for the current CIP.

Five Year CIP - Sources of Capital Funds						
<i>(\$ in thousands)</i>						
	FY25	FY26	FY27	FY28	FY29	Total
Capital Improvement Plan	\$ 298,831	\$ 310,187	\$ 226,312	\$ 209,265	\$ 209,704	\$ 1,254,299
Funding Sources:						
Cash Funded	\$ 67,762	\$ 65,705	\$ 57,417	\$ 83,065	\$ 95,404	\$ 369,353
Grant Funded	14,400	-	-	-	-	14,400
Debt	\$ 216,669	\$ 244,482	\$ 168,895	\$ 126,200	\$ 114,300	\$ 870,546

Source: Louisville/Jefferson County Metropolitan Sewer District

Consent Decree

In August 2005, the District entered into a joint Consent Decree agreement with the federal government and the Commonwealth of Kentucky. The Consent Decree created the framework for a 19-year program to manage and mitigate combined sewer overflows (“CSO”) and eliminate sanitary sewer overflows (up to a certain storm event). In 2009, the Consent Decree was amended to address recordkeeping and Water Quality Treatment Center bypasses and treatment performance.

To meet the requirements of the Amended Consent Decree, the District developed the Integrated Overflow Abatement Program (the “IOAP”), which was later incorporated into the Critical Repair and Reinvestment Plan. Key capital projects included in the IOAP include:

CSO Storage Basins - Large storage basins are under design or construction at strategic locations in the District’s combined sewer system to temporarily store flows during rain events. When capacity is available, these stored flows will be released back into the collection system for treatment. These basins are a foundation of the District’s CSO control strategy and must be operational by state and federally enforced deadlines.

Green Infrastructure Projects - Green infrastructure works by capturing stormwater flows in natural systems before they can enter the underground pipe network and thus creates additional capacity within the sewer system. Additionally, these systems remove pollutants through natural filtration systems so that any flows that must pass through them carry a reduced pollutant load. The District is committed to integrating green infrastructure as part of its overflow control strategy and has implemented an innovative system of cost-sharing with other public agencies and private developers to leverage the District’s investment in green infrastructure to the extent it furthers the District’s service offerings.

Capacity, Management, Operations and Maintenance (“CMOM”) Projects - An essential component to the long-term success of the IOAP is an effective CMOM program that makes sure the wastewater collection system operates effectively. Elements of this program include capital investment, sewer inspection and cleaning, repair of defects found in sewers, and removal of illicit and illegal connections to the system.

Nine Minimum Controls (“NMC”) Projects - Reporting requirements for the NMC program will be phased out after the completion of the District’s obligations under the Consent Decree. The NMC principles related to optimizing operation of the combined sewer system will remain in full force and effect, with the enforcement mechanism shifted from the Consent Decree to the Morris Forman Water Quality Treatment Center discharge permit. One critical item that will continue after the IOAP is completed is the continued implementation and optimization of the District’s Real Time Control system that maximizes storage in the collection system through a series of automated dams and gates.

The District has spent approximately \$1.4 billion designing and constructing many of the IOAP projects and completing other projects required under the Amended Consent Decree. This work has been financed or refinanced with proceeds of the District’s Sewer and Drainage System Revenue Bonds, Series 2008, Series 2009C, Series 2010A, Series 2013C, Series 2014A, Series 2015A, Series 2016A, Series 2017A, Series 2020B, Series 2020C, Series 2021A, Series 2022A, and Series 2023C.

All scheduled milestones on IOAP projects to mitigate sewer overflows across the service area have been met. Local waterways are safer and cleaner today as a result of these expenditures. Spending on the Amended Consent Decree work has consumed the majority of the District’s capital expenditures since

2009. However, IOAP projects have only addressed a fraction of the wastewater, stormwater and flood protection assets under the District’s purview. An unintended consequence of compliance with the Amended Consent Decree has been deferred asset management on the remaining infrastructure.

The District proactively approached federal and state regulators in 2019 to renegotiate the timing for completing the remaining projects required by the Amended Consent Decree in order to reprioritize capital dollars for rehabilitation of the Districts’ aging biosolids systems, failing sewer interceptors and flood protection system rehabilitation. The District, along with the federal government and the Commonwealth of Kentucky, negotiated the Second Amended Consent Decree which granted a time extension for completing the remaining Amended Consent Decree projects to 2035. In exchange, the District agreed to invest a minimum of \$25 million annually for asset management projects through 2035. Additionally, the District agreed to incorporate \$70 million for critical sewer rehabilitation in its 5-year capital improvement plan. These financial commitments are achievable within the Board’s rate increase authority of 6.9% per year. The United States District Court granted final approval of the Second Amended Consent Decree on September 14, 2022. See “PENDING LITIGATION” for additional information on the Second Amended Consent Decree.

Facility Plan

The District’s 20-year Comprehensive Facility Plan was published in June 2017. Working with the Wet Weather Team Stakeholder Group and District staff, the Facility Plan Team reviewed the challenges our community faces now and, in the future, and has developed a roadmap to protect the area’s health, economic vitality, and environment. The recommendations in this plan are the result of well-vetted analyses from some of the most experienced engineers in Louisville Metro. The recommendations are essential to maintaining reliable and properly sized facilities that will allow the District to fulfill its responsibility for safe, clean waterways and to help preserve and promote our competitiveness as a city.

Wastewater collection and treatment is the District’s largest service offering and was the original reason the District was formed by state statute in 1946. Fully implementing the Facility Plan recommendations will accomplish the following wastewater service objectives:

- Fulfill the obligation of the Consent Decree, including completing all the projects contained in the IOAP on schedule
- Provide facilities that comply with the other environmental regulations the District is governed by and provide a plan to remain in compliance with future regulations currently under development
- Renew and replace aging wastewater infrastructure to provide reliable service and the lowest overall cost using a best-practice asset management approach
- Position the District to support the community’s ability to grow responsibly as economic development opportunities become available

The District assumed responsibility for stormwater management, including both drainage and interior floodplain management for most of Jefferson County in 1987. The drainage system at that time had a backlog of thousands of drainage complaints that the District was expected to correct. While the District has invested hundreds of millions of dollars in drainage infrastructure since 1987, drainage problems still are found across the entire county. In addition, the increased frequency of extreme storms that have been observed in Louisville Metro have raised customer concerns about the adequacy of our drainage and interior floodplain management systems. While current development standards require mitigation of the drainage impacts of land use changes, analysis of historical trends shows a significant reduction in natural green space and an increase in impervious services that do not allow stormwater to seep into the ground. Runoff from impervious surfaces also causes increased runoff volume and greatly increased runoff peak flows. Together, these factors exacerbate the observed deficiencies in the stormwater system that the District now

has responsibility for, impacting neighborhood drainage in addition to interior floodplain inundation. Implementing the Facility Plan recommendations will accomplish the following stormwater management objectives:

- Improve the level of protection against public health and property risks caused by inadequate stormwater drainage systems
- Continue support for the Project DRI neighborhood drainage solutions
- Expand the efforts of the MS4 program to reduce stormwater contamination of our waterways, primarily through BMPs and continued proactive support of green infrastructure solutions to both quantity and quality concerns
- Recognize and respond to the impact of changing weather patterns including the increased frequency of extreme storms

The Ohio River Flood Protection System (“ORFPS”) was developed in response to the flood of 1937. This system of levees, floodwalls, and flood pumping stations has protected Louisville since it became operational in the 1950s. While the system has an outstanding record of reliability, much of the system is more than 60 years old and includes antiquated equipment that cannot be repaired with standard parts available today. In addition, the same changing precipitation and land use patterns that affect drainage and inland floodplain management also impact the flood pumping stations and related appurtenances. Implementing the Facility Plan recommendations will accomplish the following ORFPS objectives:

- Maintain protection from Ohio River floods entering Louisville by proactive preventive and predictive maintenance activities related to the levee, floodwall, and all gates and other penetration closures that keep floodwaters at bay
- Modernize the flood pumping stations with current mechanical and electrical equipment that can provide continued reliability and a predictable cost because parts will be more readily available at a more reasonable cost
- Expand the capacity of those flood pumping stations to enhance community protection in response to changing precipitation and land use patterns

Implementing the recommendations for all three service areas will require a significant investment from the community. Based on the analyses of this Facility Plan, meeting the critical needs of the community is estimated to cost \$4.3 billion over the next two decades. Unlike the IOAP, which is required by the Consent Decree to be completed, most stormwater management and flood protection capacity projects developed in the Facility Plan are not specifically required by regulation. Providing for infrastructure renewal and replacement and improving the consistent level of service in stormwater management and flood protection are local decisions driven by the District’s mission to provide safe, clean waterways for the community. The District will implement the Facility Plan to the extent funding is provided through the rate-setting process. If sufficient funding is not provided to complete the recommended projects in the 20-year planning period, then projects will be deferred to the future, when funding comes available.

RECENT AND PENDING TRANSACTIONS OF THE DISTRICT

On March 15, 2021, the District issued under the General Bond Resolution, to the EPA, the District’s Sewer and Drainage System Revenue Bonds, Series 2020B (the “Series 2020B Bonds”) in the principal amount of \$96,926,900, evidencing a loan from the EPA to the District under the federal Water Infrastructure Finance and Innovation Act (“WIFIA”), for the purpose of financing the costs of certain improvements to the System. The District’s loan agreement with the EPA (the “WIFIA Loan Agreement”) prohibits the District from incurring additional debt without the permission of the EPA if a payment default has occurred and is continuing under the WIFIA Loan Agreement. A redacted copy of the WIFIA Loan

Agreement is attached to the event notice which the District posted on March 26, 2021 on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website and which is available there at the following hyperlink: <https://emma.msrb.org/P11479931-P11147049-P11561056.pdf> . The District began drawing on the Series 2020B Bonds in December 2023.

On July 2, 2021, the KIA approved a loan to the District in the amount of \$2,944,345 to rehabilitate, renovate, and replace a sewer lift station in Oldham County. The District expects to enter into an Assistance Agreement for the loan in fiscal year 2025.

On March 27, 2023, the District's Board approved the 2023 Program Note Resolution authorizing the issuance of the District's Sewer and Drainage System Subordinated Program Notes in the maximum outstanding principal amount of \$500,000,000, consisting of Commercial Paper Notes and Direct Purchase Notes. The maximum maturity date, initially, is July 1, 2026. Upon approval by the District's Board, the Program Note Resolution may be amended and Program Notes may be issued thereunder until July 1, 2028.

On May 16, 2023, the District issued its Sewer and Drainage System Revenue Refunding Bonds, Series 2023A (the "Series 2023A Bonds") in the principal amount of \$49,745,000, for the purpose of currently refunding the outstanding principal amount of the District's Sewer and Drainage System Revenue Bonds, Series 2013A maturing May 15, 2035, the proceeds of which were used to pay or to refund earlier series of Bonds issued to pay the costs of improvements to the System.

On May 16, 2023, the District issued its Sewer and Drainage System Revenue Refunding Bonds, Series 2023B (the "Series 2023B Bonds") in the principal amount of \$41,950,000, for the purpose of currently refund the outstanding principal amount of the District's Sewer and Drainage System Revenue Bonds, Series 2013A maturing May 15, 2036, the proceeds of which were used to pay or refund earlier series of Bonds issued to pay the costs of improvements to the System.

On July 6, 2023, the KIA approved a loan to the District for the Bullitt Hills and Hillview wastewater treatment plants and pump station elimination project. The total amount of the loan shall not exceed \$11,200,000. Interest is payable semiannually at a fixed rate of 1.25% per annum commencing after funds are first drawn on the loan. The loan shall be repaid over a period not to exceed 20 years from the date of the initial operation of the project. The District has not yet entered into an Assistance Agreement for the loan.

On October 26, 2023, the District issued its Sewer and Drainage System Revenue Bonds, Series 2023C (the "Series 2023C Bonds") in the principal amount of \$351,975,000, for the purposes of (i) redeeming the District's Sewer and Drainage System Revenue Bonds, Series 2013B, maturing May 15 of the years 2024 through 2026, (ii) paying at maturity the District's Sewer and Drainage System Revenue Refunding Taxable Bonds, Series 2020C, maturing on May 15 of the years 2024 through 2037, and (iii) paying at maturity the District's outstanding Program Notes, Commercial Paper Series, maturing on January 24, 2024, paying and reimbursing the costs of construction and acquisition pursuant to the District's Capital Improvement Plan. The proceeds of the Series 2023C Bonds were used to pay the costs of improvements to the System and to achieve debt service savings.

On January 16, 2024, the KIA approved a loan (A23-007) to the District for the Paddy's Run Flood Pumping Station Capacity Improvements project. The total amount of the loan shall not exceed \$27,783,547. Interest is payable semiannually at a fixed rate of 0.50% per annum commencing after funds are first drawn on the loan. The loan shall be repaid over a period not to exceed 20 years from the date of the initial operation of the project. The District expects to enter into an Assistance Agreement for the loan in August 2024.

On July 11, 2024, the KIA approved an increase to loan A23-007 for the Paddy's Run Flood Pumping Station Capacity Improvements project. The total amount of the loan increase is \$26,222,500. Interest is payable semiannually at a fixed rate of 0.50% per annum commencing after funds are first drawn on the loan. The loan shall be repaid over a period not to exceed 20 years from the date of the initial operation of the project. The District has not yet entered into an Assistance Agreement for the loan increase.

PENDING LITIGATION

There is no litigation or other legal proceeding pending or, to the knowledge of the District, threatened to restrain or enjoin the issuance, sale or delivery of the Series 2024A Bonds or the implementation of the plan of financing described herein, or in any way contesting or affecting the validity of the Series 2024A Bonds or the plan of financing described herein or any proceedings of the District taken with respect to the issuance or sale of the Series 2024A Bonds, the pledge or application of any moneys or securities provided for the payment of the Series 2024A Bonds or the existence or powers of the District insofar as they relate to the authorization, sale and issuance of the Series 2024A Bonds or such pledge or application of moneys and securities or the implementation of the plan of financing described herein.

There is no litigation or other legal proceeding pending or, to the knowledge of the District, threatened which challenges the authority of the District to operate the System or to collect revenues therefrom or which contests the creation, organization or existence of the District or the title of any of its Board members or executive staff to their respective offices.

After several months of negotiation, the District, Commonwealth of Kentucky and United States of America reached an agreement on important modifications to the 2009 Amended Consent Decree entered by the United States District Court for the Western District of Kentucky, Louisville Division (the Court), in Civil Action No. 3:08-CV-00608-CRS. The parties have agreed to enter into a Second Amended Consent Decree which will supersede and replace the 2009 Amended Consent Decree and update the 2012 IOAP Modification approved on June 19, 2014 with the 2021 IOAP Modification.

The original IOAP, which included a Final Sanitary Sewer Discharge Plan ("SSDP") and CSO Long Term Control Plan ("LTCP"), was certified on December 19, 2008, and incorporated by reference into the 2009 Amended Consent Decree by an Order signed on February 12, 2010 and entered into the public record February 15, 2010. The IOAP was amended in 2012 and 2014 to improve compliance and adjust capital project schedules.

Since entry of the 2009 Amended Consent Decree, the District has spent approximately \$1.2 billion developing and completing many of the IOAP projects, and completing other projects and compliance measures mandated by the Consent Decree. The District has completed the majority of the CSO LTCP projects and SSDP projects, as well as the development of Comprehensive Program Evaluations, Composite Correction Plans, Sewer Overflow Response Protocol, Interim Sanitary Sewer Discharge Plan, and Sanitary Capacity Assessment Plan.

The Second Amended Consent Decree, which was entered on September 15, 2022, was negotiated to effectuate additional remedial measures for CSO and SSO control and regulatory compliance. Specifically, the Second Amended Consent Decree was negotiated to integrate the development of an asset management plan that provides for a long-term maintenance and funding strategy for rehabilitation and renewal of the District's aging biosolids systems and failing critical interceptors and flood protection system. To facilitate the District's ability to reprioritize projects and capital spending, the Commonwealth of Kentucky and United States of America have agreed to extend the time for completion of remaining LTCP and SSDP projects to 2035. In exchange for the time extension, the District has agreed to invest a minimum of \$25 million on average each fiscal year in asset management projects for a total of

\$375 million by June 30, 2035. The District has also agreed to incorporate \$70 million in its 5-year CIP for critical sewer rehabilitation. The Second Amended Consent Decree sets forth stipulated penalties to be assessed should the District fail to comply.

The District is a defendant from time to time in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District that resolution of these matters will not result in a material adverse effect on the operations, properties or financial condition of the District.

Except as disclosed above, there is no litigation or other legal proceeding pending or, to the knowledge of the District, threatened against or affecting the District or its Board wherein an unfavorable decision, ruling or finding might have a materially adverse effect on the operations, properties or financial condition of the District.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Series 2024A Bonds is subject to the approval of Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky, Bond Counsel, whose approving opinion will be delivered with the Series 2024A Bonds. Certain legal matters will be passed upon for the District by its General Counsel, Kellie S. Watson, Esq.

Bond Counsel has reviewed legal matters incident to those sections of the Official Statement entitled “The Series 2024A Bonds,” “Security and Sources of Payment for the Series 2024A Bonds,” “Funds and Accounts,” “Tax Treatment,” and “Appendix A – Definitions of Certain Terms and Summary of Provisions of the Resolution,” and is of the opinion that the statements contained in such sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of documents therein described. Bond Counsel assumes no responsibility for the accuracy or completeness of other statements or financial information contained in this Official Statement.

TAX TREATMENT

General

In the opinion of Wyatt, Tarrant & Combs, LLP, Bond Counsel, (i) under the Internal Revenue Code (the “Code”) as presently enacted and construed, interest on the Series 2024A Bonds is excludable from gross income for federal income tax purposes and (ii) the Series 2024A Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities.

A copy of the form of opinion of Bond Counsel is set forth in Appendix D.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Series 2024A Bonds as so-called “tax-exempt” bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2024A Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the Series 2024A Bonds not qualifying as “tax-exempt bonds,” and thus interest on the Series 2024A Bonds being includable in the gross income of the holders thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the Series 2024A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2024A Bonds may adversely affect either the federal or Kentucky tax status of the Series 2024A Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2024A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2024A Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Wyatt, Tarrant & Combs, LLP.

Although Bond Counsel is of the opinion that interest on the Series 2024A Bonds will be excludable from gross income for federal income tax purposes and the Series 2024A Bonds and the interest thereon will be exempt from taxation in Kentucky, as described above, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024A Bonds may otherwise affect a Holder's federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Holder or the Holder's other items of income, deduction, or credit. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Holder or potential Holder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing of Series 2024A Bonds on the tax liabilities of the Holder.

Receipt of interest on, or ownership or disposition of, Series 2024A Bonds may result in other collateral federal, state, or local tax consequence for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and limiting the amount of earned income credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2024A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and other taxpayers pursuant to Section 265 of the Code. Residence of the Holder of Series 2024A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest on or other income from the Series 2024A Bonds.

The District has *not* designated the Series 2024A Bonds as “qualified tax-exempt obligations” under Section 265 of the Code.

Original Issue Premium

“Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2024A Bonds having a yield that is lower than their stated interest rate, as shown on the inside cover page hereto (the “Premium Bonds”), are being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes (“tax-exempt bonds”) must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining the holder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds that must be amortized during any period will be based on the “constant yield” method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over the semiannual period on a daily basis.

Holders of Premium Bonds should consult their own tax advisors as to the effect of Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

FINANCIAL STATEMENTS

The financial statements of the District for the Fiscal Year Ended June 30, 2023 included in Appendix B of this Official Statement, which is an integral part of this Official Statement, have been audited by Crowe LLP, independent auditors, as stated in their report.

The interim unaudited financial statements of the District for the Fiscal Period Ended May 31, 2024 are included in Appendix C, which is an integral part of this Official Statement.

VERIFICATION AGENT

Prior to the delivery of the Series 2024A Bonds, Samuel Klein and Company, Certified Public Accountants, an independent accounting firm, as Verification Agent, will deliver a report on the mathematical accuracy of certain computations contained in schedules relating to the refunding of the Refunded Bonds. These computations will relate to the adequacy of the cash and maturing principal amounts of the securities on deposit for the payment, when due, of principal of and interest on the Refunded Bonds. The Verification Agent will rely on the accuracy and completeness of the assumptions provided to it by the District's retained advisors, consultants, or legal counsel.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned the ratings of "Aa3" and "AA", respectively, to the Series 2024A Bonds. Such ratings reflects only the views of the respective rating agencies. An explanation of the significance of the rating given by Moody's may be obtained from Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, Public Finance Group - 23rd Floor, New York, New York 10007, (212) 553-0300; and an explanation of the rating given by S&P may be obtained from S&P Global Ratings, 55 Water Street, New York, New York 10041, (212) 438-2124. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such organizations if, in the judgment of such organizations, circumstances so warrant. Any such downward revision or withdrawal of such ratings could have adverse effects on the market price of the Series 2024A Bonds.

UNDERWRITING

The Series 2024A Bonds are being purchased for reoffering by Wells Fargo Bank, N.A. (the "2024A Underwriter"). The 2024A Underwriter has agreed to purchase the Series 2024A Bonds at an aggregate purchase price of \$121,923,848.47 (representing the \$104,280,000 par amount of the Series 2024A Bonds, plus original issue premium of \$17,985,803.45, and less underwriter's discount of \$341,954.98). The initial public offering price, which produces the yield set forth on the cover page of this Official Statement, may be changed by the 2024A Underwriter and the 2024A Underwriter may offer and sell the Series 2024A Bonds to certain dealers (including dealers depositing Series 2024A Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, has been engaged as Financial Advisor to the District in connection with the issuance of the Series 2024A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2024A Bonds is contingent upon the issuance and delivery thereof. PFM Financial Advisors LLC, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2024A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The information set forth herein was provided by the District and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Financial Advisor.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District will agree, pursuant to a Continuing Disclosure Certificate to be dated and delivered as of the date of issuance and delivery of the Series 2024A Bonds (the "Disclosure Certificate"), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained under the headings "THE DISTRICT" "RATES AND CHARGES - Rate History," and in "Appendix B" of the Official Statement; such information shall be provided on or before the January 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the obligated person;

(ii) in a timely manner not in excess of ten business days after the occurrence of the events to the MSRB, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;

- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person , or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
- (m) The consummation of a merger , consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person , other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

(iii) in a timely manner, to the MSRB, notice of a failure of the obligated person to provide the required Annual Financial Information on or before the date specified in the Continuing Disclosure Certificate.

The Disclosure Certificate provides holders of the Series 2024A Bonds, including beneficial owners of the Series 2024A Bonds, with certain enforcement rights in the event of a failure by the District to comply with the terms thereof; however, a default under the Disclosure Certificate does not constitute an event of default under the Resolution. The Disclosure Certificate may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2024A Bonds are advised that the Disclosure Certificate, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

- (i) the District is the obligated person;
- (ii) there are no credit enhancements applicable to the Bonds; and
- (iii) there are no liquidity providers applicable to the Bonds.

Pursuant to outstanding continuing disclosure undertakings (the “Existing Undertakings”) the District is required to file certain annual financial information with the MSRB by January 1 of each year.

The District has filed its annual financial information in accordance with the Existing Undertakings and, to the best of the District's knowledge, is in material compliance with the continuing disclosure undertaking requirements of the Rule in connection with its outstanding obligations that are subject to such requirements. In the past five years, the District has been made aware that there have been changes to the credit ratings on certain obligations of the District resulting from changes to the credit rating of credit enhancers providing bond insurance for those obligations, for which continuing disclosure event notices were not filed. Such changes to the credit ratings were made without any formal notice of the change to the District.

CONCLUDING STATEMENT

The foregoing summaries or descriptions of provisions of the Resolution and all references to other materials not quoted in full are only brief outlines of certain provisions thereof and do not purport to be complete statements of such documents and provisions. Reference is hereby made to the complete documents, copies of which will be furnished by the District upon request, for further information.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Series 2024A Bonds.

This Official Statement has been approved by the District as of the date set forth on the cover hereof.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

By: /s/ Ricky Mason
Ricky Mason, Chair

By: /s/ Brad Good
Brad Good, Chief Financial Officer

APPENDIX A

**DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PROVISIONS OF THE
RESOLUTION**

SUMMARY OF PROVISIONS OF THE RESOLUTION

The descriptions and summaries set forth herein are not intended to be comprehensive or definitive, and reference is made to the Resolution for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to the Resolution. Copies of the Resolution are available from the District.

Definitions

“Account” means an Account established pursuant to the Resolution.

“Accountant’s Certificate” means a certificate of an independent certified public accountant or firm of accountants (who may be the accountant or firm which regularly audits the books of the District) selected by the District.

“Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (determined on the basis of the principal amount per \$5,000 at maturity thereof) plus the amount assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5,000 at maturity. As of any Valuation Date, the Accreted Value of any Capital Appreciation Bonds shall mean the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accredited Values for such Valuation Dates.

“Accrued Aggregate Debt Service” for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of [i] interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month and [ii] Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month. The principal and interest portions of the Accreted Value and Appreciated Value of Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Bonds.

“Act” means Kentucky Revised Statutes Chapter 76, including particularly Sections 76.055 et seq., inclusive, as the same may be from time to time amended, and successor provisions.

“Additional Bonds” means Bonds authenticated and delivered upon original issuance pursuant to the Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

“Agent Member” shall mean a member of, or participant in, the Securities Depository. “Aggregate Debt Service” for any period means, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

“Aggregate Net Debt Service” for any period means, as of any date of calculation and with respect to all Bonds, the Aggregate Debt Service for such period, less any amounts available or expected to be available in the ordinary course for the payment of Debt Service during such period pursuant to the Resolution (including but not limited to interest or other income available or expected to be available for payment of Debt Service during such period from the Reserve Account).

“Annual Budget” means the budget adopted or in effect for a particular Fiscal Year as provided in the Resolution.

“Appreciated Value” means, with respect to any Capital Appreciation and Income Bond up to the Interest Commencement Date, an amount equal to the principal amount of such Capital Appreciation and Income Bond (determined on the basis of the principal amount per \$5,000 at the Interest Commencement Date thereof) plus the amount, assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation and Income Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce \$5,000 at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Capital Appreciation and Income Bond shall mean the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates.

“Authorized Newspaper” means The Bond Buyer or any other financial newspaper customarily published at least once a day for five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

“Authorized Officer of the District” means any person authorized by the District to perform the act or sign the document in question.

“Board” means the Board of the District, or such board, commission or agency as may succeed to the duties and responsibilities of such Board.

“Bond” or “Bonds” means any bonds, notes or other evidences of indebtedness (other than Subordinated Debt), as the case may be, authenticated and delivered pursuant to the Resolution.

“Bond Counsel” means a nationally recognized municipal bond attorney or firm of municipal bond attorneys, acceptable to the District.

“Bond Fund” means the Bond Fund established in the Resolution.

“Bondholder” or “Holder of Bonds” or “Holder” means any person who shall be the registered owner of any Bond or Bonds. Notwithstanding this definition, with respect to any Bonds which are registered in Book-Entry Form, the Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Bondholders under the Resolution.

“Bond Register” means the form or system or document in which the ownership of Bonds is recorded by the Bond Registrar.

“Bond Registrar” means any bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the District to perform the duties of Bond Registrar enumerated in the Resolution.

“Book-Entry Form” or “Book-Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Bonds and bond service charges may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Holder, with the physical Bond certificates in the custody of a Securities Depository.

“Business Day” means any day other than a Saturday, Sunday or legal holiday in the Commonwealth or a day on which either Bond Registrar, the Paying Agent or the District is legally authorized to close.

“Capital Appreciation Bonds” means any Bonds issued under the Resolution as to which interest is payable only at the maturity or prior redemption of such Bonds, as further described in the Resolution.

“Capital Appreciation and Income Bonds” means any Bonds issued under the Resolution as to which interest is deferred prior to the Interest Commencement Date, as further described in the Resolution.

“Chairperson” means the Chairperson of the District, or such Officer of the District as may succeed to the duties and responsibilities of the Chairperson.

“Commonwealth” means the Commonwealth of Kentucky.

“Construction and Acquisition Fund” means the Construction and Acquisition Fund established in the Resolution.

“Cost of Construction and Acquisition” means, with respect to a Project, the District’s costs, expenses and liabilities paid or incurred or to be paid or incurred by the District in connection with the planning, engineering, designing, acquiring, constructing, installing and financing, of a Project and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, all costs relating to the acquisition, construction and installation of a Project and the cost of any demolitions or relocations necessary in connection therewith, any good faith or other similar payment or deposits required in connection with the purchase of a Project, the cost of acquisition by or for the District of real and personal property or any interests therein, and costs of the District incidental to such construction, acquisition or installation all costs relating to injury and damage claims relating to a Project, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors’ fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment, line of credit, and letter of credit fees, bond insurance and indemnity premiums, and any other means of providing credit enhancement or credit support, costs incurred in connection with interest rate exchanges, futures contracts or other similar financing arrangements, fees and expenses of the Fiduciaries, including reasonable fees and expenses of counsel to the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Resolution prior to or in connection with the completion of construction of a Project, amounts, if any, required by the Resolution to be paid into the Bond Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Renewal and Replacement Account for any of the respective purposes thereof, payment when due (whether at the maturity of principal or the due date of interest or upon redemption or purchase) on any indebtedness of the District, including Bonds, notes and Subordinate Debt, incurred in respect of

any of the foregoing, and working capital and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with a Project and shall include reimbursements to the District for any of the above items theretofore paid by or on behalf of the District. It is intended that this definition of Cost of Construction and Acquisition be broadly construed to encompass all costs, expenses and liabilities of the District related to a Project which on the date of adoption of the Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of the laws of the Commonwealth.

“Credit Facility” means, a letter of credit, surety bond, loan agreement, standby purchase agreement or other credit agreement, facility or insurance or guaranty arrangement which has been rated not lower than “A” by Moody’s or S&P’s, or which is issued by an entity whose unsecured long term debt or claims paying ability is rated not lower than “A” by Moody’s or S&P’s, in either case, pursuant to which the District or another person is entitled to obtain funds to pay Bonds and interest thereon tendered to the District or a third party for payment, purchase or redemption in accordance with the Resolution.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series, an amount equal to [i] the interest accruing during such period on Bonds of such Series plus [ii] the portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue periodically in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). For Variable Interest Rate Bonds, the annual interest rate thereon and the resulting Debt Service shall be calculated by an Authorized Officer and evidenced by a certificate from such Authorized Officer of the District in accordance with the following procedure: for any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, an Authorized Officer of the District shall estimate the Debt Service on such Bonds upon reliance upon a written estimate of such Debt Service by the District’s financial advisor which estimate shall include assumptions with respect to the interest rate or rates to be borne by such Bonds and the amounts and due dates of the Principal Installments for such Bonds; provided, however, that the interest rate or rates assumed to be borne by any Variable Interest Rate Bonds shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time that an Authorized Officer of the District delivers such certificate. The principal and interest portions of the Accreted Value and Appreciated Value of Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Bonds.

“Debt Service Account” means the Debt Service Account of the Bond Fund.

“Debt Service Reserve Requirement” as of a particular date of computation means an amount, computed separately for each Series of Bonds, equal to the least of [i] ten percent (10%) of the face amount of such Series, [ii] one hundred percent (100%) of the maximum Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year and [iii] one hundred twenty-five percent (125%) of average Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year. For Variable Interest Rate Bonds, the Debt Service Reserve Requirement shall be the maximum permitted amount with interest calculated at the lesser of the 30-year Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to the date of sale of such Variable Interest Rate Bonds) or the Maximum Interest Rate. If any Variable Interest Rate Bond shall be converted to a fixed rate Bond for the remainder of the term thereof, and as a result thereof a nominal deficiency shall be created in the Bond Fund, the Debt Service Reserve Requirement shall be adjusted so as to exclude the amount of such deficiency, but the Debt Service Reserve Requirement shall be increased in each Fiscal Year or portion

thereof after the date of such conversion by an amount equal to one hundred percent (100%) of the nominal deficiency, until there is no longer a nominal deficiency.

“Defeasance Obligations” means (i) cash, (ii) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGS”), (iii) direct obligations of the United States Treasury which have been stripped by the Treasury itself (CATS, TIGRS and similar securities), (iv) interest components of obligations of the Resolution Funding Corporation in book-entry form if such obligations have been stripped by request to the Federal Reserve Bank of New York, (v) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P; however, if the issue is only rated by S&P, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals, (vi) obligations issued by the following agencies which are backed by the full faith and credit of the United States: (a) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank (Eximbank), (b) certificates of beneficial ownership of the Farmers Home Administration, (c) obligations of the Federal Financing Bank, (d) participation certificates of the General Services Administration, (e) guaranteed Title XI financings of the U.S. Maritime Administration, (f) United States guaranteed New Community Debentures, (g) United States guaranteed public housing notes and bonds, and (h) project notes and local authority bonds of the U.S. Department of Housing and Urban Development, and (vii) any other investments approved in writing by the Insurer.

“District” means the Louisville and Jefferson County Metropolitan Sewer District, a public body corporate and political subdivision, created and established pursuant to the Act.

“Event of Default” shall have the meaning given to such term herein under the caption “Events of Default.”

“Federal Reserve Bank” means any one of the central banks constituting the Federal Reserve System, created by the Federal Reserve Act of 1913, as amended, in order to regulate and aid the member banks in its respective Federal Reserve district.

“Fiduciary” or “Fiduciaries” means the Bond Registrar, the Paying Agents, or any or all of them, as may be appropriate or any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the District as a depository of monies and securities held under the provisions of the Resolution, and may include the Bond Registrar.

“Fiscal Year” means each twelve (12) month period commencing on July 1 and ending on the succeeding June 30.

“Fund” or “Funds” means, as the case may be, each or all of the Funds established in the Resolution.

“Government Obligations” means (i) any direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal and interest on which are unconditionally guaranteed by the United States of America, and (ii) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies (including stripped obligations thereof if such obligations have been stripped by the issuing agency itself) provided such obligations are backed by the full faith and credit of the United States of America: [1] Farmer’s Home Administration; [2] General Services Administration; [3] United States Maritime Administration - Guaranteed Title XI Financing; [4] Federal Financing Bank; [5] United States Department of Housing and Urban Development; [6] U.S. Export - Import Bank; [7] Federal Housing Administration Debentures, and [8] Government National Mortgage Association guaranteed mortgage-backed bonds and guaranteed pass-through obligations.

“Insurer” means any nationally recognized company engaged in the business of insuring bonds which may from time to time insure the payment of the principal of and interest on all or a portion of the Bonds of any Series.

“Interest Commencement Date” means, with respect to any particular Capital Appreciation and Income Bond, the date specified in the Supplemental Resolution authorizing such Bonds, (which date must be prior to the maturity date for such Bonds) after which interest ceases to be deferred and compounds and the interest becomes currently payable.

“Investment Securities” means any of the following securities, to the extent legal for investment of the District’s funds: [a] Government Obligations and, to the extent from time to time permitted by law, [b] obligations of [i] Federal Home Loan Banks, senior debt obligations, [ii] Federal Home Loan Mortgage Corporation, participation certificates and senior debt obligations, [iii] Student Loan Marketing Association, senior debt obligations, [iv] Resolution Funding Corporation and [v] Federal National Mortgage Association mortgage-backed securities and senior debt obligations; [c] money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard and Poor’s of AAAM-G, AAAM or AAM; [d] certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association or any savings and loan association; provided, however, that such certificates of deposit or time deposits shall be fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by Government Obligations in which the Bond Registrar has a perfected first security interest, [e] investment agreements (for investment of moneys held in the Construction and Acquisition Fund) or other investments approved in writing by the Insurer, [f] commercial paper rated at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P, [g] bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies, [h] federal funds or banker acceptances with a maximum term of 1 year with a rating of “Prime-1” or “A-3” or better by Moody’s and “A-1” or “A” or better by S&P, and [i] any repurchase agreement approved in writing by the Insurer or any repurchase agreement with a term not in excess of 30 days that is a legal investment for public funds under state law (as determined by a written legal opinion delivered to the District) and is with a primary dealer on the Federal Reserve reporting dealer list rated A or better by Moody’s and S&P or any bank or trust company (including the Bond Registrar) rated “A” or better by Moody’s and S & P for Government Obligations or obligations described in [b] above in which the Bond Registrar shall be given a first security interest and on which no third party shall have a lien. The underlying repurchase obligations must be valued weekly and marked to market at a current market price plus accrued interest of at least 104% (105% if the underlying securities are Federal National Mortgage Association Mortgage-backed securities and senior debt obligations) of the amount of the repurchase obligations of the bank or trust company. All obligations purchased must be transferred to the Bond Registrar or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations. Any investment in a repurchase agreement shall be considered to mature on the date the obligor providing the repurchase agreement is obligated to repurchase the obligations. Any investment in obligations described in [a] and [b] above may be made in the form of an entry made on the records of the issuer of the particular obligation.

The Bond Registrar, any Paying Agent, other Fiduciaries, or other custodian of funds of the District, respectively, may trade with itself in the purchase and sale of securities for such investment and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In the absence of any direction from the District, the Bond Registrar, any Paying Agent, other Fiduciaries, or other custodian of funds of the District, respectively, shall invest all funds in sweep accounts, money market funds and similar short-term investments, provided that all such investments shall constitute Investment Securities.

“Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, an annual rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Bond, that shall be the maximum rate of interest such Bond may at any time bear.

“Minimum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, an annual rate of interest which may (but need not) be set forth in the Supplemental Resolution authorizing such Bond, that shall be the minimum rate of interest such Bond may at any time bear.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, if any.

“Month” means a calendar month.

“Net Revenues” for any period shall mean Revenues, less Operating Expenses for such period. “Operating Expenses” means the District’s reasonable, ordinary, usual or necessary current expenses of maintenance, repair and operation of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Operating Expenses shall include, without limiting the generality of the foregoing, [i] expenses not annually recurring, [ii] administrative and engineering expenses (to the extent not paid or reimbursed as a Cost of Construction and Acquisition), payments to pension or retirement funds properly chargeable to the System, insurance premiums, fees and expenses of Paying Agents and legal expenses, [iii] interest on, redemption premium on, or principal of, Subordinated Debt, [iv] any other expenses required to be paid by the District under the provisions of the Resolution or by law and [v] amounts reasonably required to be set aside in reserves for operating items or expenses the payment of which is not then immediately required.

However, Operating Expenses do not include [i] reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any deposits or transfers to the credit of the Bond Fund or the Renewal and Replacement Account, nor any amounts paid or required to be paid to the United States of America pursuant to the Resolution (except to the extent such rebate amounts must be paid from Revenues other than the investment income that generated the liability to the United States), [ii] non- capital Costs of Acquisition and Construction or other costs, to the extent composed of non-capital expenses, salaries, wages and fees that are necessary or incidental to capital improvements for which debt has been issued and which may be paid from proceeds of such debt or [iii] losses from the sale, abandonment, reclassification, revaluation or other disposition of properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of the District.

“Opinion of Counsel” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may be counsel to the District) selected by the District.

“Option Bonds” means Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment or purchase by the District or a third party prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

“Outstanding” when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

- (i) Bonds cancelled pursuant to the Resolution at or prior to such date;
- (ii) Bonds (or portion of Bonds) for the payment or redemption of which monies, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date

of maturity or redemption date shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such bonds (or portion of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the District shall have been made for the giving of such notice as provided in the Resolution;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution;

(iv) Bonds deemed to have been paid as provided in the Resolution; and

(v) Option Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable adjustment or conversion date if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution.

“Paying Agent” means any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Resolution.

“Pledged Property” means and includes the following property, as and when received by or for the account of the District, in each case pending the application or expenditure thereof in accordance with the Resolution: [i] the proceeds of sale of Bonds, [ii] all Revenues, [iii] all amounts on deposit in the Funds or Accounts established under the Resolution, [iv] such other amounts as may be pledged from time to time by the District as security for the payment of Bonds and [v] all proceeds of the foregoing.

“Principal Installment” means, as of the date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, [i] the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established (including the principal amount of Option Bonds tendered for payment and not purchased), [ii] the Sinking Fund Installment due on a certain future date for Bonds of such Series and [iii] if such future dates coincide, the sum of such principal amount and such Sinking Fund Installment.

“Project” means any project directly or indirectly related to the facilities provided or to be provided by the District which is to be included as part of the System and is permitted by the Act, and any modification or substitution of such facilities by the District.

“Record Date” means a Regular Record Date or a Special Record Date.

“Redemption Price” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond.

“Refunding Bonds” means all Bonds, whether issued in one or more Series or as part of a Series, authenticated and delivered to refund Bonds previously issued and Outstanding under the Resolution.

“Renewal and Replacement Account” means the account of that name which is maintained pursuant to the Resolution.

“Reserve Account” means the Reserve Account of the Bond Fund.

“Resolution” means the Sewer and Drainage System Revenue Bond Resolution of the District originally adopted on December 9, 1992 and amended and restated in its entirety on June 30, 1993, as from time to time amended or supplemented.

“Revenue Fund” means the Revenue Fund which is maintained pursuant to the Resolution.

“Revenues” means all revenues, rates, fees, rents, charges and other operating income and receipts, as derived by or for the account of the District from or for the operation, use or services of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Revenues shall include, without limiting the generality of the foregoing, [i] revenue from capital charges recovered or reimbursed to the District, capacity charges and service connection fees, [ii] acquisition surcharges and assessments levied by the District (regardless of whether any of the same are allocated or designated by the District for capital expenditures) and [iii] interest or other income received or to be received from any source, including but not limited to interest or other income received or to be received on any monies or securities held pursuant to the Resolution. Revenues shall not include customer deposits and contributions in aid of construction, except to the extent the same would constitute revenues or income in accordance with generally accepted accounting principles.

“S&P’s” means Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and their assigns, if any.

“Secretary-Treasurer” means the Secretary-Treasurer of the District, or such officer of the District as may succeed to the duties and responsibilities of the Secretary-Treasurer.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Securities Depository” means any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company) , New York, New York.

“Securities Depository Nominee” means any nominee of a Securities Depository and shall initially mean Cede & Co., New York, New York, as nominee of The Depository Trust Company.

“Senior Subordinated Debt” means any debt of the District subordinated to the Bonds and payable from the Senior Subordinated Debt Fund, including without limitation, such Notes of the District as may be issued pursuant to the Subordinate Debt Resolution of the District adopted on June 30, 1993, as the same may be amended from time to time.

“Senior Subordinated Debt Fund” means the Senior Subordinated Debt Fund which is maintained pursuant to the Resolution.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Resolution or any Supplemental Resolution authorizing such Bonds as a separate Series of Bond, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

“Sinking Fund Installment” means an amount so designated which is established pursuant to the Resolution.

“Subordinated Debt” means indebtedness of the System which is subordinate to the Bonds issued under the Resolution including the Senior Subordinated Debt.

“Supplemental Resolution” means any resolution supplemental to or mandatory of this Resolution adopted by the District in accordance with the Resolution.

“System” means [i] the sewer facilities, drainage facilities and all appurtenant facilities or any other facilities owned, operated or controlled by the District from time to time, [ii] any Project and [iii] all improvements, additions, extensions and betterments to the foregoing which may be hereafter acquired by the District by any means whatsoever.

“Valuation Date” means with respect to any Capital Appreciation Bonds and Capital Appreciation and Income Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values or Appreciated Values are assigned to the Capital Appreciation Bonds and Capital Appreciation and Income Bonds, as the case may be.

“Variable Interest Rate” means a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds.

“Variable Interest Rate Bonds” for any period means bonds which during such period bear a Variable Interest Rate, provided that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

“Vice-Chairperson” means the Vice-Chairperson of the District, or such officer of the District as may succeed to the duties and responsibilities of the Vice-Chairperson.

The Pledge Effected by the Resolution

The Bonds are special and limited obligations of the District payable, solely from and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution, solely from the Pledged Property. There are by the Resolution pledged and assigned as security for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, the Pledged Property.

Establishment of Funds and Accounts; Application of Revenues

The Resolution establishes the following Funds and Accounts:

- (a) Construction and Acquisition Fund to be held by the District,
- (b) Revenue Fund to be held by the District,
- (c) Bond Fund to be held by the Paying Agent which shall consist of a Debt Service Account and a Reserve Account,
- (d) Renewal and Replacement Account to be held by the District, and
- (e) Senior Subordinated Debt Fund to be held by the District.

The District may, for accounting or allocation purposes, [i] establish one or more additional accounts or subaccounts within the Construction and Acquisition Account, the Revenue Fund, the Bond Fund or the Renewal and Replacement Account, or [ii] to the extent not expressly prohibited by other provisions hereof, commingle amounts between or among any or all of such Funds or Accounts, except the Senior Subordinated Debt Fund.

Construction and Acquisition Fund. There shall be paid into the Construction and Acquisition Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction and Acquisition Fund, at the option of the District, any monies received by the District from any source, unless required to be otherwise applied as provided by the Resolution. Amounts in the Construction and Acquisition Fund shall be applied to pay the Cost of Construction and Acquisition in the manner provided in the Resolution and the Supplemental Resolution authorizing a Series of Bonds to finance the Cost and Acquisition of a Project.

There shall be established within the Construction and Acquisition Fund a separate account for a Project.

The proceeds of insurance, if any, maintained pursuant to the Resolution against physical loss of or damage to the System, or of contractors' performance bonds or other assurances of completion with respect thereof, or pertaining to the period of construction thereof, shall be paid into the appropriate separate account in the Construction and Acquisition Fund.

The Secretary-Treasurer of the District shall make payments from the Construction and Acquisition Fund, except payments and withdrawals pursuant to the Resolution as described in the next paragraph, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in the Resolution. The Secretary-Treasurer or other Authorized Officer of the District shall maintain adequate records in respect of all payments made, including [a] the particular account established within the Construction and Acquisition Fund from which such payment is to be made, [b] the name and address of the person, firm or corporation to whom payment is due, [c] the amount to be paid and [d] the particular item of the Cost of Construction and Acquisition to be paid and that the cost or the obligation in the stated amount is a proper charge against the Construction and Acquisition Fund which has not been previously paid. The Secretary-Treasurer shall issue a check for each payment required by such requisition or shall by interbank transfer or other method arrange to make the payment required by such requisition.

Notwithstanding any of the provisions of the Resolution as described under this caption, except as provided below, to the extent that other monies are not available therefor, amounts in the Construction and Acquisition Fund shall be applied to the payment of Principal Installments of and interest on Bonds when due; provided, however, that proceeds (and investment earnings thereon) from the issuance by the District of Senior Subordinated Debt shall not be subject to the priority in favor of the Bonds created by the Resolution, but may instead be pledged by the District as security and a source of payment first for the Senior Subordinated Debt pursuant to the resolution or resolutions of the District authorizing such Senior Subordinated Debt, in which event such amounts shall be applied to the payment of debt service on the Senior Subordinated Debt when due to the extent that other monies are not available therefor, and shall not be used to pay debt service on any Bonds if there is any Senior Subordinated Debt which remains outstanding and unpaid.

An adequate record of the completion of construction of a Project financed in whole or in part by the issuance of Bonds shall be maintained by an Authorized Officer of the District. The balance in the separate account in the Construction and Acquisition Fund established therefor shall be transferred to the Reserve Account in the Bond Fund, if and to the extent necessary to make the amount of such Account

equal to the Debt Service Reserve Requirement, and any excess amount shall be paid over or transferred to the District for deposit in the Revenue Fund.

Application of Revenues.

All Revenues shall be promptly deposited by the District upon receipt thereof into the Revenue Fund.

There shall be withdrawn in each month the following amounts, for deposit as set forth below and in the order of priority set forth below.

(i) To the Bond Fund, [i] for credit to the Debt Service Account, the amount, if any, required so that the balance in such Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month or, if interest or principal are required to be paid to Holders of Bonds during the next succeeding month on a day other than the first day of such month, Accrued Aggregate Debt Service as of the day through and including which such interest or principal is required to be paid and [ii] for credit to the Reserve Account, the amount, if any, required for such Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Resolution, to equal one-twelfth (1/12) of the difference between [a] the amount then in the Reserve Account immediately preceding such deposit and [b] the actual Debt Service Reserve Requirement as of the last day of the then current month ; and

(ii) To the Senior Subordinated Debt Fund the amount, if any, required to pay the scheduled base and additional rental payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor, in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Senior Subordinated Debt; and

(iii) Each month the District shall pay from the Revenue Fund such amounts as are necessary to meet Operating Expenses for such month; and

(iv) To the Renewal and Replacement Account, a sum equal to 1/12 of the amount, if any, provided in the Annual Budget to be deposited in the Renewal and Replacement Account during the then current Fiscal Year; provided that, if any such monthly allocation to the Renewal and Replacement Account shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency.

The balance of monies remaining in the Revenue Fund after the above required payments have been made may be used by the District for any lawful purpose relating to the System; provided, however, that none of the remaining monies shall be used for any purpose other than those hereinabove specified unless all current payments and including all deficiencies in prior payments, if any, have been made in full and unless the District shall have complied fully with all the covenants and provisions of the Resolution.

So long as there shall be held in the Debt Service Account and the Reserve Account an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no transfers shall be required to be made to the Bond Fund; and provided further, that any deficiency in the Reserve Account, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Resolution as described in the fourth paragraph under the caption "Bond Fund - Reserve Account" herein, other than a deficiency attributable to a withdrawal of amounts therefrom pursuant to the Resolution as described in the first paragraph under the caption "Bond Fund - Reserve Account" herein, shall be cured by depositing

into the Reserve Account each month during the period commencing with the month following the month in which the determination of the deficiency was made an amount equal to one-twelfth (1/12th) of the deficiency, except that, if a new valuation of Investment Securities held in the Reserve Account is made pursuant to the Resolution during the period that such deposits are required, then the obligation of the District to make deposits during the balance of such period on the basis of the preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined under this proviso on the basis of the new valuation.

Bond Fund - Debt Service Account.

The Paying Agent, from amounts deposited therein, shall pay out of the Debt Service Account, [i] on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date, [ii] no later than each Principal Installment due date, the amount required for the Principal Installment payable on such due date and [iii] no later than any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. In the case of Variable Interest Rate Bonds, the District shall furnish the Paying Agent with a certificate setting forth the amount to be paid on such Bonds on each interest payment date, such certificate shall be furnished on or prior to the appropriate Record Date with respect to any interest payment date. Such amounts shall be applied by the Paying Agents on or after the due dates thereof. The Paying Agent shall also pay out of the Debt Service Account, from amounts deposited therein, the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may be applied on or prior to the 40th day next preceding the due date of such Sinking Fund Installment, to [i] the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established or [ii] the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to the Resolution as described in this paragraph shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the District shall proceed to call for redemption, by giving notice as provided in the Resolution, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The District shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment).

Unless otherwise provided by the District, upon any purchase or redemption pursuant to the Resolution of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, there shall be credited, in increments of \$5,000 to the extent practicable, toward each succeeding Sinking Fund Installment thereafter to become due on Bonds, of the same series and maturity (other than the Sinking Fund Installment next coming due) an amount bearing the same ratio, to the Sinking Fund Installment, as the total principal amount of Bonds purchased or redeemed bears to the total principal amount of all the Sinking Fund Installments to be credited. The portion of any principal Sinking Fund Installment remaining after the deduction of any such amounts are credited toward the same shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds as provided in the Resolution or in accordance with certificates of the District delivered pursuant to the Resolution or, if the District shall modify or amend any such certificate by a subsequent certificate signed by an Authorized Officer of the District, then in accordance with the most recent amended certificate.

In the event of the refunding of any Bonds, the District may withdraw from the Debt Service Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Bonds being refunded shall be deemed to have been paid pursuant to the Resolution as described herein under the caption "Defeasance," and (b) the amount remaining in the Debt Service Account in the Bond Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to the Resolution in the second paragraph under this caption. In the event of such refunding, the District may also withdraw from the Debt Service Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts in any fund or Account under the Resolution; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution, as confirmed in writing to the Bond Registrar by the Secretary- Treasurer.

Bond Fund - Reserve Account.

If five days prior to any interest or Principal Installment due date with respect to any Series of Bonds payment for such interest or Principal Installment in full has not been made or provided for, the District shall forthwith withdraw from the Reserve Account an amount not exceeding the amount required to provide or such payment in full and deposit such amount in the Debt Service Account for application to such payment.

Whenever the amount in the Reserve Account shall exceed the Debt Service Reserve Requirement, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Resolution as described in the fourth paragraph under this caption, such excess shall be deposited in the Debt Service Account.

Whenever the amount in the Reserve Account (exclusive of any surety bond, letter of credit or insurance policy therein), together with the amount in the Debt Service Account is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds.

In lieu of the required transfers or deposits to the Reserve Account, the District may cause to be deposited into the Reserve Account a surety bond or an insurance policy for the benefit of the holders of the Bonds or a letter of credit in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit in the Reserve Account, if any, after the deposit of such surety bond, insurance policy or letter or credit. Such difference may be withdrawn by the District and be deposited in the Revenue Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any due date on which monies will be required to be withdrawn from the Reserve Account and applied to the payment of a Principal Installment of or interest on any Bonds and

such withdrawal cannot be met by amounts on deposit in the Reserve Account. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this subsection, the District shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Reserve Account, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount in the Reserve Account equals the Debt Service Reserve Requirement. Any other provision under this caption to the contrary notwithstanding, for each particular Series of Bonds or portion thereof which is insured by an Insurer, the right of the District under the Resolution to cause a surety bond or an insurance policy to be deposited into the Reserve Account in lieu of the required transfers or deposits thereto shall be subject to the condition that the District obtain the prior written consent of the Insurer as to the structure and the issuer of such surety bond or insurance policy.

In the event of the refunding of any Bonds, the District may withdraw from the Reserve Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with itself to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Resolution as described in the second paragraph under the caption "Defeasance" herein, and (b) the amount remaining in the Reserve Account in the Bond Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement.

If any withdrawals are made from the Reserve Account pursuant to the Resolution, the resulting deficiency, if any, shall be remedied by the application of monthly payments into the Reserve Account as set forth in the Resolution, or by transfers from the Renewal and Replacement Account or both, until the amount on deposit in the Reserve Account is equal to the Debt Service Reserve Requirement, whereupon such deposits shall be discontinued until such time, if any, that there is again a deficiency.

Renewal and Replacement Account.

Monies to the credit of the Renewal and Replacement Account may be applied to the cost of major replacements, repairs, renewals, maintenance, betterments, improvements, reconstruction or extensions of the System or any part thereof as may be determined by the Board.

If at any time the monies in the Debt Service Account, the Reserve Account and the Revenue Fund shall be insufficient to pay the interest and Principal Installments becoming due on the Bonds, then the District shall transfer from the Renewal and Replacement Account for deposit in the Debt Service Account the amount necessary (or all the monies in said Fund if less than the amount necessary) to make up such deficiency.

Any balance of monies and securities in the Renewal and Replacement Account not required to meet a deficiency as set forth above or for any of the purposes for which the Renewal and Replacement Account was established, may, on direction of the District, be transferred from the Renewal and Replacement Account to the Reserve Account, if and to the extent necessary to make the amount in such Account equal to the Debt Service Reserve Requirement, and any balance may be deposited in the Debt Service Account or the Revenue Fund.

Senior Subordinated Debt Fund.

Subject to the provisions of the Resolution described in the next paragraph, the District shall apply amounts in the Senior Subordinated Debt Fund to the payment of debt service or the scheduled base and

additional rental payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Senior Subordinated Debt.

Notwithstanding any of the other provisions of the Resolution described under this caption, if at any time the amount on deposit in the Reserve Account shall be less than the Debt Service Reserve Requirement, the District shall forthwith transfer from the Senior Subordinated Debt Fund for deposit in the Reserve Account the amount necessary (or all moneys in said Senior Subordinated Debt Fund, if necessary) to make up such deficiency.

Amounts in the Senior Subordinated Debt Fund which the District at any time determines to be in excess of the requirements of such fund may, at the discretion of the District, be transferred to the Debt Service Account or the Renewal and Replacement Account.

Investments

In making any investment in any Investment Securities with monies in any Fund or Account established under the Resolution, the District may combine, to the extent permitted by law, or instruct such Fiduciary to combine, such monies with monies in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Monies held in the Bond Fund, the Revenue Fund, the Renewal and Replacement Account, the Senior Subordinated Debt Fund and the Construction and Acquisition Fund shall be invested and reinvested to the fullest extent practicable in Investment Securities, maturing not later than such times as shall be necessary to provide monies when needed for payments to be made from such Fund or Account. The Fiduciary, shall make all such investments of monies held by it in accordance with written instructions from time to time received from an Authorized Officer of the District.

Interest (net of that which represents a return of accrued interest) or gain realized on investments in such Funds and Accounts other than the Reserve Account of the Bond Fund, shall be paid into the Revenue Fund, provided that gain realized from the liquidation of an investment shall be governed by the provisions described below. Interest earned or gain realized on investments in the Reserve Account shall be transferred to the Debt Service Account, provided that gain realized from the liquidation of an investment shall be governed by the provisions of the Resolution as described in the first paragraph under the caption "Valuation and Sale of Investments" herein.

Nothing in the Resolution shall prevent any Investment Securities acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Nothing in the Resolution shall preclude any Fiduciary from investing or reinvesting monies through its respective trust department; provided, however, that the District may, in its discretion, direct that such monies be invested or reinvested in a manner other than through such respective trust department.

Valuation and Sale of Investments

Obligations purchased as an investment of monies in any Fund or Account created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund or Account. Any profit realized from the liquidation of such investment shall be credited to such Fund or Account, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

In computing the amount in any Fund or Account created under the provisions of the Resolution for any purpose provided in the Resolution, investments shall be valued at the then market price (as of the time of valuation) thereof. The accrued interest paid in connection with the purchase of an investment shall be included in the value thereof until interest on such investment is paid. Such computation shall be determined on June 30 and December 31 in each Fiscal Year and at such other times as the District shall determine.

Additional Bonds

One or more Series of Additional Bonds may be authenticated and delivered upon original issuance at any time or from time to time for the purpose of paying all or a portion of the Cost of Construction and Acquisition of a Project. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Resolution authorizing such Series. The conditions for the issuance of Additional Bonds to finance the Acquisition and Construction of Additional Facilities include a certificate of an Authorized Officer of the District setting forth (A) for any period of 12 consecutive calendar months within the 24 calendar months preceding the date of the authentication and delivery, the Net Revenues for such period, and (B) the Aggregate Net Debt Service during the same period for which Net Revenues are computed, with respect to all Series of Bonds which were then Outstanding (excluding from Aggregate Net Debt Service any Principal Installment or portion thereof which was paid from sources other than Net Revenues), and showing that the amount set forth in (A) is equal to or greater than 110% of the amount set forth in (B). The conditions for the issuance of Additional Bonds to finance the Acquisition and Construction of Additional Facilities include a certificate of an Authorized Officer of the District setting forth (A) for the last full Fiscal Year of 12 months (ending June 30) immediately preceding the date of the authentication and delivery, the Net Revenues for such period, or, at the option of the District, for the last 12 consecutive full calendar months immediately preceding the date of the authentication and delivery, the Net Revenues for such period, and (B) the estimated maximum Aggregate Net Debt Service in the current or any future Fiscal Year with respect to [i] all Series of Bonds which are then Outstanding and [ii] the Additional Bonds then proposed to be authenticated and delivered (and for this purpose all Series of Bonds Outstanding plus such proposed Additional Bonds shall be treated as a single Series; that is, the maximum Aggregate Net Debt Service shall be computed collectively with respect to all such Bonds, and not computed cumulatively or separately for each particular Series), and showing that the amount set forth in (A) is equal to or greater than 110% of the amount set forth in (B). For purposes of computing the amount set forth in (A), Net Revenues may be increased to reflect the following amounts: [i] any increases in the rates, fees, rents and other charges for services of the System made subsequent to the commencement of such period and prior to the date of such certificate, [ii] any estimated increases in Net Revenues caused by any Project or Projects having been placed into use and operation subsequent to the commencement of such period and prior to the date of such certificate, as if such Project or Projects had actually been placed into use and operation for the entire period chosen in (A) above and [iii] 75% of any estimated increases in Net Revenues which would have been derived from the operation of any Project or Projects with respect to which the Cost of Construction and Acquisition is to be paid from proceeds of the Additional Bonds proposed to be authenticated and delivered, as if such Project or Projects had actually been placed into use and operation for the entire period chosen in (A) above.

Refunding Bonds

One or more Series of Refunding Bonds may be issued at any time to refund [i] Outstanding Bonds of one or more Series or [ii] one or more maturities within a Series of any Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Bond Registrar only upon satisfaction of the following conditions (in addition to the other documents required by the Resolution) of: [i] Instructions to the Bond Registrar, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of the Resolution described hereinafter under the caption “Defeasance”; [ii] if the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding 60 days, instructions to the escrow agent described in the Resolution, satisfactory to it, to mail the notice provided for in the Resolution described hereinafter under the caption “Defeasance” to the Holders of the Bonds being refunded; [iii] either (a) cash (including cash withdrawn and deposited pursuant to the Resolution as described herein under the captions “Bond Fund - Debt Service Account” and “Bond Fund - Reserve Account,” respectively) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which monies shall be held by the escrow agent described in the Resolution or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (b) Investment Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any monies, as shall be necessary to comply with the provisions of the Resolution as described herein under the caption “Defeasance”, which Investment Securities and monies shall be held in trust and used only as provided in the Resolution described hereinafter under the caption “Defeasance”; and [iv] such further documents and monies as are required by the provisions of the Resolution or any Supplemental Resolution adopted pursuant to the Resolution.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in such Supplemental Resolution.

Subordinated Debt

The District may, at any time, or from time to time, issue debt or enter into a contract, lease, installment sale agreement or other instrument or lend credit to or guarantee debts, claims or other obligations of any person for any of its corporate purposes payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of payment thereof; provided, however, that such pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created by the Resolution as security for the Bonds.

Creation of Liens; Sale and Lease of Property

The District shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Pledged Property and shall not create or cause to be created any lien or charge on the Pledged Property; provided, however, that nothing contained in the Resolution shall prevent the District from issuing, if and to the extent permitted by law [i] evidences of indebtedness (a) payable out of monies in the Construction and Acquisition Fund as part of the Cost of Construction and Acquisition of the System or (b) payable out of, or secured by a pledge or assignment of, Revenues to be received on and after such date as the pledge of the Pledged Property provided in the Resolution shall be discharged and satisfied as provided in the Resolution or [ii] Subordinated Debt.

Facilities of the System shall not be sold, leased, mortgaged or otherwise disposed of, except as follows: A. The District may sell or exchange at any time and from time to time any property or facilities

constituting part of the System, at such consideration as the District in its sole discretion deems reasonable or appropriate under all the circumstances, but only if it shall determine that ownership by the District of such property or facilities is not necessary or is not material for the purposes of the District in the operation of the System as a whole; or B. The District may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right [i] does not materially impede the operation by the District or its agents of the System and [ii] does not materially impair or adversely affect the rights or security of the Bondholders under the Resolution.

Operation and Maintenance of System

The District shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, and shall use its best efforts to maintain, preserve and keep the same or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted. In rendering any report, certificate or opinion requested pursuant to the Resolution, an Authorized Officer of the District may rely upon information, certificates, opinions or reports required to be provided by others pursuant to the Resolution, and upon other sources which an Authorized Officer of the District considers reliable, and other considerations and assumptions as deemed appropriate by an Authorized Officer of the District.

Annual Budget

On or before the first day of each Fiscal Year commencing with the Fiscal Year beginning July 1, 1993, the District shall prepare and adopt an Annual Budget for operating purposes for the ensuing Fiscal Year and will furnish copies thereof to any holder of any Bond. Said Annual Budget shall set forth in reasonable detail the estimated Revenues and Operating Expenses and other anticipated expenditures relating to the System for such Fiscal Year. Following the end of each fiscal quarter and at such other times as the District shall determine, the District shall review its estimates set forth in the Annual Budget for such Fiscal Year, and if a material change has occurred in such estimates, the District also may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

Rents, Rates, Fees and Charges

The District shall fix, establish, maintain and collect rates, fees, rents and charges for services of the System, which, together with other "Available Revenues" (as hereinafter defined) are expected to produce Available Revenues which will be at least sufficient for each Fiscal Year to pay the sum of: [a] an amount equal to 110% of the Aggregate Net Debt Service for such Fiscal Year; and [b] the amount, if any, to be paid during such Fiscal Year into the Reserve Account in the Bond Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds); and [c] all Operating Expenses for such Fiscal Year as estimated in the Annual Budget; and [d] to the extent not included in the foregoing, an amount equal to the debt service on the Senior Subordinated Debt, any other Subordinated Debt or other debt of the District for such Fiscal Year computed as of the beginning of such Fiscal Year; and [e] amounts necessary to pay and discharge all charges or liens payable out of the Available Revenues when due and enforceable.

For purposes of the preceding paragraph, "Available Revenues" means (i) revenues from all rates, rents and charges and other operating income derived or to be derived by the District from or for the operation, use or services of the System, (ii) any other amounts received from any other source by the District and pledged by the District as security for the payment of Bonds and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into

the Revenue Fund or required to be retained in the Debt Service Account in the Bond Fund or transferred to the Debt Service Account in the Bond Fund. "Available Revenues" will exclude, however, any interest income which is capitalized pursuant to generally accepted accounting principles and the enterprise basis of accounting for governmental enterprises, as promulgated by the Governmental Accounting Standards Board, and governmental grants, in-kind contributions of assets and any assessments levied by the District to the extent that such grants, in-kind contributions and assessments are not recognized as operating revenues, other revenues or extraordinary gains pursuant to generally accepted accounting principles for governmental enterprises, as promulgated by the Governmental Accounting Standards Board. Nothing herein under this caption or in the definition of "Available Revenues" for purposes of the covenant described in the preceding paragraph, shall be construed so as to prohibit the District from taking into account interest earned on moneys or securities held under the Resolution, and other income available or expected to be available in the ordinary course for the payment of Debt Service pursuant to the Resolution, in calculating Aggregate Net Debt Service on the Bonds for any calculation period for purposes hereof or otherwise, nor prohibit the District from taking into account interest earned on moneys or securities held under any Resolution or indenture or similar document adopted or entered into in connection with an issuance of Subordinated Debt, and other income available or expected to be available in the ordinary course for the payment of debt service on Subordinated Debt, in calculating debt service payable on Subordinated Debt for any calculation period for purposes hereof or otherwise.

Promptly upon [i] any material decrease in the Revenues anticipated to be produced by any rates, fees, rents or charges or any later review thereof, [ii] any material increase in expenses of operation of the System not contemplated at the time of adoption of the rates, fees, rents and charges then in effect or any later review thereof or [iii] any other material change in the circumstances which were contemplated at the time such rates, fees, rents and charges were most recently reviewed, but not less frequently than once every 12 months, the District shall review the rates, fees, rents and charges so established and shall promptly establish or revise such rates, fees, rents and charges as necessary to comply with the foregoing requirements, provided that such rates, fees, rents and charges shall in any event produce Revenues sufficient, together with other Revenues, if any, available therefor, to enable the District to comply with all its covenants under the Resolution.

In estimating Aggregate Debt Service or Aggregate Net Debt Service on any Variable Interest Rate Bonds for purposes of the first paragraph under this caption, the District shall be entitled to assume that such Variable Interest Rate Bonds will bear such interest rate or rates as the District shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time such estimate is made.

Insurance

Maintenance of Insurance.

The District shall provide protection for the System to the extent necessary to properly conduct the business of the System. Said protection may consist of insurance, self-insurance and indemnities. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the District and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System.

Application of Insurance Proceeds.

In the event of any loss or damage to the System covered by insurance, the District will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or

damage to the extent necessary to the proper conduct of the operation of the business of the System, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the District shall be transferred to the Revenue Fund.

Accounts and Reports

The District shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System and each Fund and Account established under the Resolution and which, together with all other books and papers of the District, including insurance policies, relating to the System, shall at all times be subject to the inspection of the Bondholders and the Holders of an aggregate of not less than ten percent (10%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The District shall annually, within 180 days after the close of each Fiscal Year commencing with the Fiscal Year ending June 30, 1993, prepare an audit for such Fiscal Year, accompanied by a certificate of an Accountant relating to the System which shall include the following statements in reasonable detail: a statement of assets and liabilities as of the end of such Fiscal Year; and a statement of Revenues and Operating Expenses for such Fiscal Year. Such Certificate shall state whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions on its part contained in the Resolution, and if so, the nature of such default.

The reports, statements and other documents required pursuant to any provisions of the Resolution shall be available for the inspection of Bondholders and shall be mailed to each Bondholder who shall file a written request therefor with the District. The District may charge for such reports, statements and other documents, a reasonable fee to cover reproduction, handling and postage.

Tax Covenants Relating to the Internal Revenue Code

The District shall do the following with respect to Bonds which, when initially issued, are the subject of an Opinion of Counsel to the effect that interest thereon is excluded from gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986 or any successor thereto (the "Code"): [a] in order to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes, and for no other purpose, the District shall comply with the Code; [b] in furtherance of the covenant contained in the preceding paragraph, the District shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Internal Revenue Code; and [c] Notwithstanding any other provision of the Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds for Federal income tax purposes, the covenants contained in this Section thereon, including any payment or defeasance thereof pursuant to the Resolution as described under the caption "Defeasance" herein.

Events of Default

Each of the following events (being those provided by Section 76.160 of the Kentucky Revised Statutes) is hereby declared an "event of default"; that is, if: [a] payment of the principal of any of the Bonds is not made on the date therein specified for payment thereof, nor within thirty (30) days thereafter, or payment of any installment of interest is not made on the date specified for such payment, nor within thirty (30) days thereafter, or [b] default shall be made in the due and punctual observance or performance of any of the covenants, conditions and agreements on the part of the District, in the Bonds or in the Resolution, or in any pertinent law contained, and such default shall continue for a period of thirty (30) days.

Rights Arising Upon Occurrence of Event of Default

That upon the happening of any event of default specified in the Resolution as described immediately above, the provisions of said Section 76.160 of Kentucky Revised Statutes shall become operative, and the holder or holders of twenty percent (20%) in principal amount or more of the Bonds then Outstanding pursuant to the Resolution may, by an instrument or instruments filed in the office of the County Clerk of Jefferson County, Kentucky, and approved or acknowledged in the same manner as a deed to be recorded, apply to a Judge in the Circuit Court of such County to appoint a trustee to represent all of the Bondholders. Upon such application, such Judge shall appoint a trustee and such trustee may, and upon the written request of the holder or holders of twenty percent (20%) in principal amount or more of the Bonds Outstanding under the Resolution, shall, in his or its name, (a) by mandamus or other suit, action or proceeding at law, or in equity, mandatory injunction, enforce all rights of the District to collect rates, rentals and other charges adequate to carry out any agreement as to, or pledge of, the revenues and income of the District, and to require the District and its officers to carry out any other agreement with the Bondholders and to perform its and their duties imposed by law; (b) bring suit upon the Bonds; (c) by action or suit in equity require the District to account as if it were the trustee of an express trust for the Bondholders; (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders; (e) declare all Bonds due and payable; and (f) pursue any other rights or remedies available at law or in equity. For any Bonds registered in Book-Entry Form, notwithstanding the above definition of "Bondholder," the Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Holders pursuant to the terms of the Resolution.

Any such trustee, whether or not all Bonds have been declared due and payable, shall be entitled as of right upon application to such Court to the appointment of a receiver, who may enter upon and take possession of the System, or any part or parts thereof, and operate and maintain the same, and collect and receive all rentals, rates, and other charges, and other revenues and income, of the District, thereafter arising therefrom, in the same manner as the District and its officers might do, and shall deposit all such monies in a separate account and apply the same in such manner as such Court shall direct. In any suit, action or proceeding, by the trustee, the fees, counsel fees and expenses of the trustee and of the receiver, if any, shall constitute disbursements taxable as costs. All costs and disbursements allowed by the Court shall be a first charge on any revenue and income derived from the System. Such trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Bondholders in the enforcement and protection of their rights.

Rights of Insurer

Any other provision of the Resolution to the contrary notwithstanding, and to the extent permitted by law (including the Act), for each particular Series of Bonds or portion thereof that is insured by an Insurer, the exercise by the court appointed trustee or the Bondholders of any rights, powers or privileges granted thereto in the Resolution shall require the written consent of the Insurer, if the Insurer is not then in breach or default of its obligations under its insurance policy.

Bond Registrar; Paying Agents

The Resolution permits the appointment by the District of a Bond Registrar and one or more Paying Agents. Any Paying Agent or Bond Registrar may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days written notice to the District and the other Paying Agents or Bond Registrars. Any Paying Agent or Bond Registrar may be removed at any time by an instrument filed with such Paying Agent or Bond Registrar and signed by an Authorized Officer of the

District. Any successor Paying Agent or Bond Registrar shall be appointed by the District and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Amendments and Supplemental Resolutions

Any modification or amendment of the Resolution and of the rights and obligations of the District and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution of [i] the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given and [ii] if less than all of the Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption (including Sinking Fund Installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereof without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this caption, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The District may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the District and all Holders of Bonds.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, when adopted, shall be fully effective in accordance with its terms: [1] to close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; or [2] to add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the resolutions as theretofore in effect; or [3] to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; or [4] to authorize Bonds of a Series; or [5] to authorize one or more series of Subordinated Debt; or [6] to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds; or [7] to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the District or any Fiduciary appointed for that purpose by the District; or [8] notwithstanding any other provisions of the Resolution, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in the Resolution; or [9] to confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Resolution of the Pledged Property and Credit Facilities or other agreements; or [10] to comply with the provisions of any federal or state securities law, including, without limitation, the Trust Indenture Act of 1939, as amended or comply with Section 103 of the Internal Revenue Code of 1986 or 1954, as applicable, as amended, or successor provisions; or [11] to modify any of the provisions of the Resolution in any other respect whatever, provided that [i] such modification shall be, and

be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and [ii] such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefore or in place thereof; or [12] to cure any ambiguity, defect or inconsistency provided that there is no material adverse impact on Bondholders.

Consent of the Insurer When Consent of Bondholder Required; Notice

The Insurer, and not the registered Holders thereof, shall be deemed to be the Holder of Bonds of any Series as to which it is the Insurer at all times for the purpose of giving any approval or consent to the execution and delivery of any Supplemental Resolution or any amendment, change or modification of the Resolution which, as specified in the Resolution, requires the written approval or consent of the Holders of at least a majority in aggregate principal amount of Bonds of such Series at the time Outstanding. In such cases where the consent of the Insurer shall be necessary pursuant to the Resolution for the execution of a particular amendment, the District shall be required to send a copy of such amendment to S&P's. In addition, in such cases where the consent of the Insurer shall not be necessary pursuant to the Resolution for the execution of a particular amendment, the District shall provide the Insurer with written notice of such amendment prior to or within a reasonable time after the execution thereof.

Defeasance

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Resolution, then the pledge of the Pledged Property and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments, or portions thereof, for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. Subject to the provisions of the Resolution, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Resolution if the following conditions are met: (a) if any of such Bonds are to be redeemed on any date prior to their maturity, the District shall have instructed the Bond Registrar to mail as provided in the Resolution notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the District and delivered to the Bond Registrar as hereinafter provided prior to the mailing of notice of redemption), (b) there shall have been deposited with an escrow agent either cash (including amounts, if any, withdrawn and deposited pursuant to the Resolution as described herein under the captions "Bond Fund--Debt Service Account" and "Bond Fund--Reserve Account") in an amount which shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide cash which, together with any other cash on deposit with the escrow agent, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on the Bonds on or prior to the redemption date or maturity date thereof, as the case may be and (c) if the Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have instructed the Bond Registrar to mail a notice to the Holders of such Bonds to be paid or redeemed, that the deposit required by (b) above has been made and that the Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which monies are expected to be available for the payment.

Such escrow agent shall, as and to the extent necessary, apply amounts held by it pursuant to this Section to the retirement of Bonds in amounts equal to the unsatisfied balances (determined as provided in the Resolution as described herein under the caption "Bond Fund--Debt Service Account") of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution. The escrow agent shall, if so directed by the District prior to the maturity or redemption date, as applicable, of Bonds deemed to have been paid in accordance with the provisions of the Resolution described under this caption, apply cash, redeem or sell Defeasance Obligations so deposited with such escrow agent and apply the proceeds thereof, together with any cash on deposit with the escrow agent, to the purchase of such Bonds (and the Bond Registrar shall immediately thereafter cancel all such Bonds so purchased and delivered to it); provided, however, that the cash and Defeasance Obligations remaining on deposit with such escrow agent after the purchase and cancellation shall be sufficient to pay when due the principal or Redemption Price, as applicable, and interest due or to become due on all remaining Bonds in respect of which such cash and Defeasance Obligations are being held by such escrow agent on or prior to the redemption date or maturity date thereof, as the case may be. Except as otherwise provided in the Resolution, neither Defeasance Obligations nor cash deposited with such escrow agent pursuant to the Resolution nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, as applicable, and interest on the Bonds with respect to which such cash and Defeasance Obligations have been deposited. Any excess cash received from such principal or interest payments on such Defeasance Obligations shall be paid over to the District as received by such escrow agent, free and clear of any trust, lien or pledge.

Notwithstanding any of the provisions of the Resolution regarding Defeasance, no forward supply contract shall constitute a "Defeasance Obligation" or otherwise be used to refund all or any portion of Bonds which are insured as to the payment of principal and interest by an Insurer, without first obtaining the prior written consent of such Insurer.

APPENDIX B

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT,
FISCAL YEAR ENDED JUNE 30, 2023**

Louisville and Jefferson County
Metropolitan Sewer District

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2023



A Component Unit of Louisville
Jefferson County Metro Government
Commonwealth of Kentucky



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Louisville/Jefferson County Metropolitan Sewer District
Louisville, Kentucky**

**A Component Unit of Louisville/Jefferson County Metro Government
Commonwealth of Kentucky**

**Fiscal Years Ended June 30, 2023
With Comparative Information for Fiscal Year Ended June 30, 2022**

**Prepared by the Department of Finance
Brad Good, Chief Financial Officer**

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**INTRODUCTORY SECTION
(Unaudited)**



MSD's Cedar Creek Water Quality Treatment Center



700 West Liberty Street | Louisville, KY 40203-1911
Phone: 502.540.6000 | LouisvilleMSD.org

October 31, 2023

Letter of Transmittal

To the customers and investors of Louisville and Jefferson County Metropolitan Sewer District,

I am pleased to present the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. MSD's financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). In accordance with Kentucky Revised Statute 65A.030, MSD is required to undergo an annual independent audit of its financial statements.

Responsibility for the accuracy, completeness and fairness of the data presented herein, including all disclosures, rests with MSD. To provide a reasonable basis for making these representations, the management of MSD has established a comprehensive internal control framework that is designed to both protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of MSD's financial statements in conformity with GAAP. MSD's internal control framework has been designed to provide reasonable, rather than absolute assurance, that the financial statements as of June 30, 2023 and 2022 are free from material misstatement. Reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits derived and (2) the valuation of costs and benefits requires the use of estimates and judgements by management. To the best of my knowledge and belief, the accompanying data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of MSD. All disclosures necessary to enable the reader to understand MSD's financial activities have been included.

GAAP requires that management provide a narrative to accompany the basic financial statements in the form of Management's Discussion and Analysis which is found beginning on page 3. This letter of transmittal is intended to be read in conjunction with that analysis.

Crowe LLP has been retained by MSD to serve as its independent auditors and has issued an unmodified opinion on MSD's financial statements for the years ended June 30, 2023. The independent auditor's report can be found at the beginning of the financial section of this report.

As a recipient of federal funding, MSD is required to undergo a Single Audit in conformity with the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2CFR200 (Uniform Guidance). Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations and the auditor's reports on internal controls is provided in a separate report.

Profile:

MSD was created in 1946 as a public body corporate and subdivision of the Commonwealth of Kentucky. MSD has complete control, possession and supervision of the sewer, drainage and flood protection systems within the majority of Louisville Metro, which comprises all of Jefferson County, Kentucky. In addition, MSD has control, possession and supervision of the sewer system in portions of Oldham County and Bullitt County, Kentucky. Chapter 76 of the Kentucky Revised Statutes authorizes MSD to construct additions, betterments, and extensions within its service area and to recover the cost of its services in accordance with rate schedules adopted by its Board.

MSD is a component unit of the Louisville/Jefferson County Metro Government. The Louisville Metro Mayor appoints, with the approval of the Louisville Metro Council, the members to MSD's governing Board, its Executive Director, Chief Engineer and Secretary/Treasurer. The Board, which has statutory authority to enter into contracts and agreements for the management, regulation and financing of MSD, manages its business and activities. The Board has full statutory responsibility for approving and revising MSD's annual budgets, for financing deficits and for disposition of surplus funds. MSD has no special financial relationship with the Louisville Metro Government; however, effective July 1, 2006, MSD began providing free

wastewater and drainage services to Louisville Metro Government. The value of these services in fiscal year 2023 was \$7,958,608.

Customer Base:

MSD's revenue is derived from wastewater and drainage service charges collected from residential, commercial, and industrial customers. Wastewater service charges are distributed to respective customer classes on the basis of actual costs incurred to collect and treat wastewater. For fiscal year 2023, 59% of MSD's wastewater service charge revenue came from residential customers, 32% came from commercial customers and 9% from industrial customers. The top 10 wastewater customers provided \$16.0 million, or 5.5%, of MSD's total wastewater revenue in fiscal year 2023 compared to \$16.9 million, or 5.7%, in fiscal year 2022. Drainage service charges are assessed based on the equivalent service units (ESU) for each parcel of property. An ESU is defined by MSD as 2,500 square feet of impervious area. For fiscal year 2023, 38% of MSD's drainage service charge revenue came from residential customers, 56% came from commercial customers and 6% from industrial customers. The top 10 drainage customers provided \$6.8 million, or 7.2%, of MSD's total drainage revenue in fiscal year 2023 compared to \$6.2 million, or 6.6%, in fiscal year 2022.

Local Economy:

Louisville is the largest city in the Commonwealth of Kentucky and home to the Kentucky Derby and a bourbon-centric tourism industry. The U.S. Census Bureau estimated that there were 773 thousand residents in Louisville as of July 1, 2022. This is a decrease of 1.2% from the population estimate base reported on April 1, 2020. The Louisville metropolitan area has a population of over 1.2 million residents.

According to the Bureau of Labor Statistics, Louisville employment was at 690 thousand jobs in June of 2023 compared to 679 thousand jobs in June 2022, an increase of 1.6%. MSD's employment base has grown 3.2% over the last fiscal year with 696 full time employees at June 30, 2023 compared to 674 full time employees at June 30, 2022. Major employers in the Louisville metropolitan area include United Parcel Service, Jefferson County Public Schools, Norton Healthcare, Ford Motor Company, and UofL Health.

The United States Department of Labor's Bureau of Labor Statistics listed the unemployment rate for Jefferson County, Kentucky, as 3.8% in June 2023 compared to 3.7% in June of 2022. Additional information on demographic and economic conditions for Louisville can be found in the Statistical Section of this report.

Financial Planning:

MSD is focused on continuously strengthening its financial position through planning and analysis to meet its short-term and long-term operational and infrastructure plans.

MSD's short-term plan looks forward five years at a time. Formalized budgets are developed and approved annually by the Board for operating and capital spending. Budgets are developed with an eye toward maintaining operational efficiency and achieving incremental improvement of MSD's critical debt service coverage and debt to operating ratios.

MSD's long-term financial planning window is twenty years and is supported by the Critical Repair and Reinvestment Program and a twenty year comprehensive financial model. The financial model enables MSD to analyze alternative scenarios in order to optimize resources in the face of competing priorities. Rate adjustments are carefully considered in conjunction with bond issues and other low-cost financing options to maintain affordability for MSD customers. Key long-term considerations are debt service coverage, maintaining level debt service payments, and maintaining adequate cash reserves.

Major Initiatives:

- *Blueprint 2025:* MSD remains committed to our Integrated Strategic Business Plan, Blueprint 2025, adopted in fiscal year 2019. Blueprint 2025 is our action plan to transform MSD into a Utility of the Future by the year 2025. The strategic purpose behind Blueprint 2025 is to deliver MSD's three core business functions (wastewater treatment, drainage and flood protection) in a collaborative, efficient, innovative manner to meet regulatory requirements and community level of service through a sustainable, purpose-driven and skilled workforce.
- *Infrastructure Repair and Replacement:* MSD has been focused on controlling sewer overflows since consent decree work began in 2006. However, infrastructure needs in the wastewater, drainage and flood protection systems MSD maintains and operates go beyond the work

encompassed in the consent decree. Sustaining reliable treatment capability and capacity at the Morris Forman Water Quality Treatment Center is important to ensure proper wastewater treatment into the future. Replacing and repairing portions of the Ohio River flood protection system is necessary to protect local communities from flooding as we experience more frequent and more intense storms. Addressing sewers that are failing due to age is critical to keeping local homes and businesses safe. During fiscal year 2023, MSD declared nine new emergency projects where critical infrastructure failed. The cost to complete these unbudgeted, emergency projects is more the \$6.5 million. In recent years, MSD has aggressively pursued federal and state assistance to fund infrastructure reinvestment at the local level. This assistance has come in the form of low-interest loans (over \$167 million since 2020) and state and federal grants (over \$30 million in fiscal year 2023 alone). However, with a five-year capital improvement plan that totals over \$1 billion, MSD will need to continue to issue revenue bond debt to fund system improvements. The MSD Board adjusts service rates to fund this critical work in an efficient and fiscally responsible manner. On August 1, 2022, rates for wastewater and drainage service charges in Jefferson County increased by 5.0%. The average monthly residential wastewater bill (based on 4,000 gallons of water consumed per month) increased by \$2.76 from \$54.99 to \$57.75. The monthly residential drainage service charge increased by \$0.59 from \$11.88 to \$12.47.

- *Credit Rating:* MSD strives continuously to maintain strong financial performance and bond ratings. The credit ratings on our senior lien bonds remained at Aa3, AA, and AA- by Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch, respectively, during fiscal year 2023. Strong credit ratings enable MSD is issue debt at lower borrowing costs which reduces ratepayer costs over the long term.

Awards

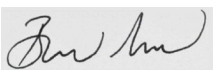
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSD for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the 31st consecutive year that MSD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, MSD must publish an easily readable and efficiently organized annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our 2023 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we will submit it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The Finance division of MSD has worked hard to make possible timely publication of the fiscal year 2023 Annual Comprehensive Financial Report and I would like to thank them for their individual contributions. I would also like to take this opportunity to thank the MSD Board of Directors and the Executive Leadership Team for their continued support.

Respectfully Submitted,



Brad Good
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Louisville and Jefferson County
Metropolitan Sewer District
Kentucky**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

OUR VISION

The Innovative, regional utility for safe, clean waterways.

OUR MISSION

Provide quality wastewater, stormwater and flood protection services to protect public health and safety through sustainable solutions, fiscal stewardship, and strategic partnerships.

CRITICAL SUCCESS FACTORS

Sustain Quality and Compliant Wastewater, Stormwater, and Flood Protection Services:

Champion the protection of public health and safety and the environment through sustainable solutions, sound management practices, and effective operational processes and support systems.

Earn the Community's Trust Daily as the Leading Provider of Quality Wastewater, Stormwater, and Flood Protection Services:

Earn community trust through consistent delivery of quality services and respectful interactions with our customers.

Transform into an Employer of Purpose

Where Employees are Provided the Opportunity to Thrive:

Attract, equip and retain an effective workforce, reflective and supportive of our community, which consistently delivers high-quality service to customers internally and externally.

Ensure Financial Stewardship and Sustainability of Community Resources:

Meet today's operating and capital investment needs while managing risk and long-term affordability for the future.

Realize Operational Efficiencies and Revenue Generation through Strategic Partnerships and Innovation:

Implement innovative ideas and partnerships that drive organizational resiliency and sustainability.



MSD's Central Maintenance Facility

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

Officials
June 30, 2023

Board of Directors

Marita Willis, Chair

Keith Jackson, Vice Chair

Rebecca Cox

Gerald Joiner

Ricky Mason

Carmen Moreno-Rivera

Jeff Mosley

John Selent

Executive Staff

James A. Parrott, Executive Director, Secretary/ Treasurer

Angela Akridge, Chief Strategy Officer for Business Transformation and Regulatory Compliance

Paul Bagley, Chief Information Officer

Brian Bingham, Chief Operations Officer

Lynne Fleming, Chief Human Resources Officer

Brad Good, Chief Financial Officer

Lopez High, Chief of Facilities, Safety and Security

Sharise Horne, Chief of Equity Community Partnerships

David Johnson, Chief Engineer

Rene Lindsay, Chief Procurement Officer

Kim Reed, Chief Innovation Officer

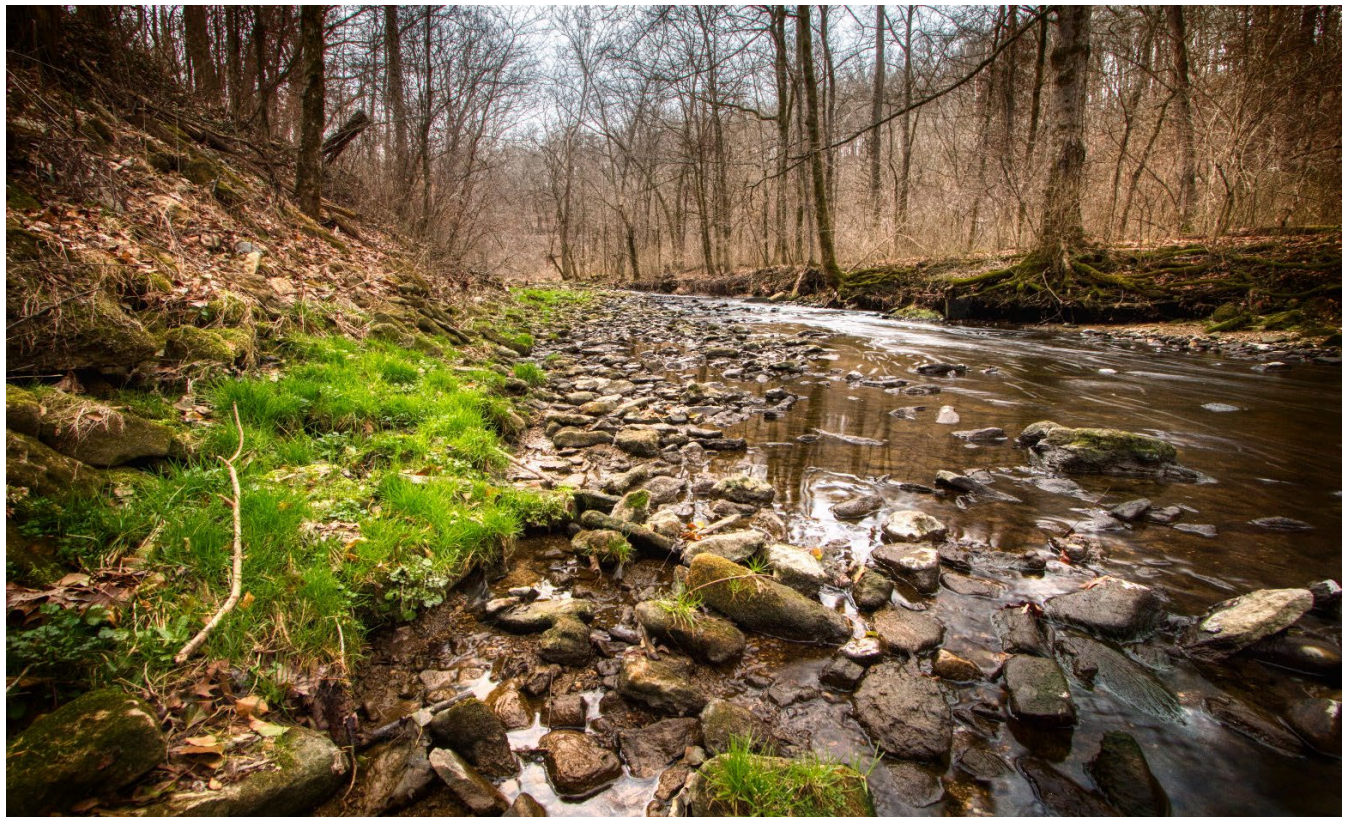
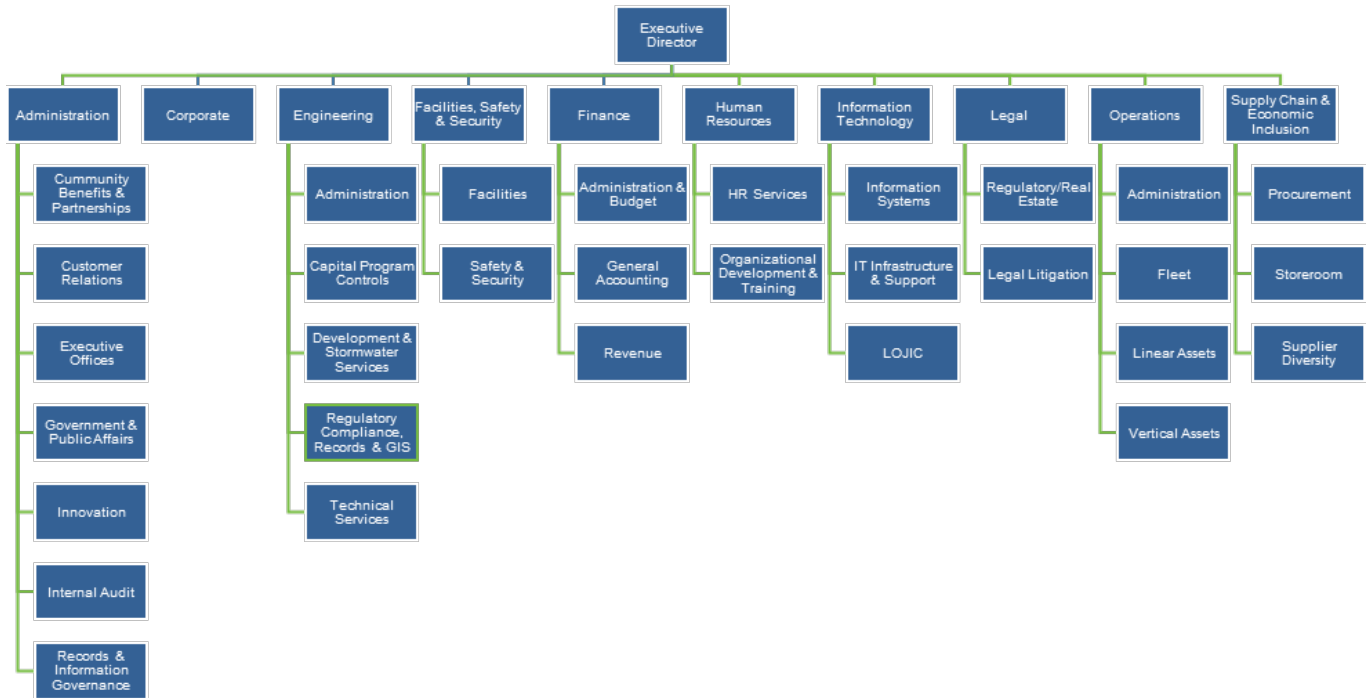
Wes Sydnor, Chief of Government and Public Affairs

Kellie Watson, General Counsel and Legal Director

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

Organizational Chart

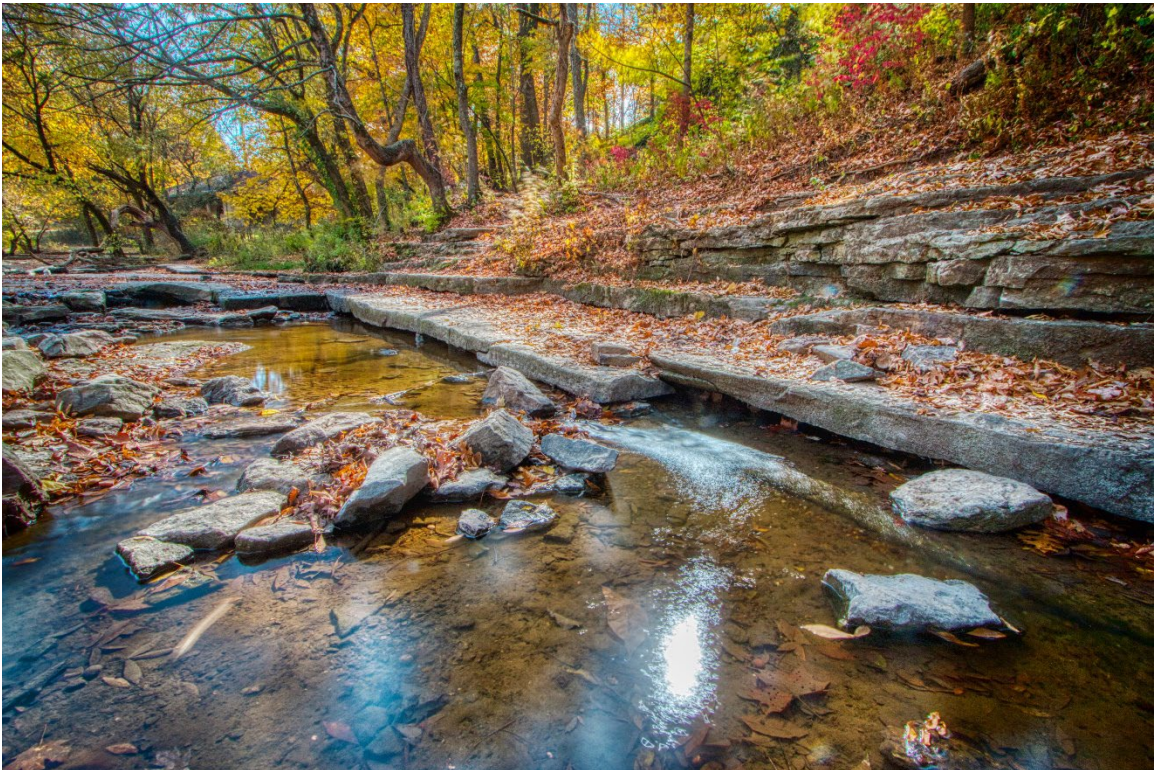
June 30, 2023



Hite Creek in Jefferson County



FINANCIAL SECTION



Middle Fork Beargrass Creek in Louisville's Cherokee Park

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louisville and Jefferson County Metropolitan Sewer District
Louisville, Kentucky

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Louisville and Jefferson County Metropolitan Sewer District, a component unit of the Louisville-Jefferson County Metro Government, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Louisville and Jefferson County Metropolitan Sewer District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Louisville and Jefferson County Metropolitan Sewer District, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Louisville and Jefferson County Metropolitan Sewer District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Louisville and Jefferson County Metropolitan Sewer District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Louisville and Jefferson County Metropolitan Sewer District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Louisville and Jefferson County Metropolitan Sewer District's 2022 financial statements, and we expressed an unmodified audit opinion on the financial statements of Louisville and Jefferson County Metropolitan Sewer District in our report dated October 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 23, the Schedule of Proportionate Share of the Net Pension Liability on page 68, the Schedule of Employer Contributions – Pension on page 70, the Schedule of Proportionate Share of the Net OPEB Liability on page 71, and the Schedule of Employer Contributions – OPEB on page 73 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisville and Jefferson County Metropolitan Sewer District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory and statistical sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the Louisville and Jefferson County Metropolitan Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Louisville and Jefferson County Metropolitan Sewer District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisville and Jefferson County Metropolitan Sewer District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Louisville, Kentucky
October 31, 2023

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The management of Louisville and Jefferson County Metropolitan Sewer District (MSD) present this Management's Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2023 and 2022. This narrative provides the reader with condensed comparative financial data, an analysis of the results of our operations, a description of capital asset and long term debt activity, and a discussion of future economic factors that will impact our operations. This MD&A is intended to be read in conjunction with the financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2023:

- Total net position increased from fiscal 2022 to fiscal 2023 by \$81.2 million, or 8.8%.
- Total assets and deferred outflows of resources increased \$125.5 million, or 3.2%, from fiscal 2022 to fiscal 2023.
- Operating revenues increased \$26.6 million, or 7.3%, from fiscal 2022 to fiscal 2023.
- Service and administrative costs increased \$5.6 million, or 4.8%, from fiscal 2022 to fiscal 2023.
- MSD maintained unrestricted cash and investments totaling \$135.7 million as of June 30, 2023, compared to \$118.6 million as of June 30, 2022.
- MSD had 299 days cash on hand at June 30, 2023, compared to 269 days cash on hand at June 30, 2022.
- Senior debt coverage was 2.08x for fiscal 2023 compared to 1.95x for fiscal 2022.

Fiscal Year 2022:

- Total net position increased from fiscal 2021 to fiscal 2022 by \$75.2 million, or 8.9%.
- Total assets and deferred outflows of resources increased \$128.2 million, or 3.4%, from fiscal 2021 to fiscal 2022.
- Operating revenues increased \$35.9 million, or 10.9%, from fiscal 2021 to fiscal 2022.
- Service and administrative costs increased \$9.2 million, or 8.4%, from fiscal 2021 to fiscal 2022.
- MSD maintained unrestricted cash and investments totaling \$118.6 million as of June 30, 2022 compared to \$107.4 million as of June 30, 2021.
- MSD had 269 days cash on hand at June 30, 2022 compared to 259 days cash on hand at June 30, 2021.
- Senior debt coverage was 1.95x for fiscal 2022 compared to 1.86x for fiscal 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

MSD uses the accrual basis of accounting to prepare its financial statements wherein revenues are recorded when earned and expenses are recorded at the time a liability is incurred. MD&A serves as a narrative introduction to the financial statements which consist of the following parts:

- *Statements of Net Position:* This statement includes all of MSD's assets, liabilities and deferred outflow and inflow of resources. It provides information about the nature and amounts of investments in assets and the obligations to creditors. In addition, it provides the basis for computing rate of return, evaluating the capital structure of MSD and assessing the liquidity and financial flexibility of the organization.
- *Statements of Revenues, Expenses and Changes in Net Position:* This statement identifies the revenues generated and expenses incurred during the fiscal year and helps the user to assess the financial efficiency of MSD during the time period for which the statement relates.
- *Statements of Cash Flows:* This statement provides information related to MSD's cash receipts and cash expenditures during the fiscal year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

- *Notes to the Financial Statements:* The notes contain descriptions of the policies underlying the amounts displayed in the financial statements along with other information that is essential to a full understanding of the data provided in the financial statements.
- *Required Supplementary Information:* Information is presented related to MSD's pension and Other Post-Employment Benefits (OPEB) including annual contributions made to the plans and annual investment returns.

Other supplemental information is presented for comparative analysis and is not part of the basic financial statements. Other supplemental information consists of:

- *Statistical Section:* Ten years of financial statement information, operating indicators, and demographic information is presented for comparative analysis.

STATEMENTS OF NET POSITION

MSD's total net position at June 30, 2023 was \$1.0 billion, an increase of \$81.2 million, or 8.8%, from June 30, 2022 (see Figure 1). Total assets and deferred outflows increased \$125.5 million, or 3.2%, to \$4.0 billion. Total liabilities and deferred inflows increased \$44.2 million, or 1.5%, to \$3.0 billion.

MSD's total net position at June 30, 2022 was \$923.0 million, an increase of \$75.2 million, or 8.9%, from June 30, 2021 (see Figure 1). Total assets and deferred outflows increased \$128.2 million, or 3.4%, to \$3.9 billion. Total liabilities and deferred inflows increased \$52.9 million, or 1.8%, to \$3.0 billion.

(amounts in thousands)	FY 2023	FY 2022	FY 2021	2023-2022		2022-2021	
				Increase (Decrease)	% Change	Increase (Decrease)	% Change
Unrestricted current assets	\$ 171,322	\$ 153,423	\$ 143,541	\$ 17,899	11.7%	\$ 9,882	6.9%
Restricted current assets	22,414	33,735	21,181	(11,321)	(33.6%)	12,554	59.3%
Capital assets	3,433,261	3,293,005	3,168,614	140,256	4.3%	124,391	3.9%
Unrestricted non-current assets	5,271	7,138	10,478	(1,867)	(26.2%)	(3,340)	(31.9%)
Restricted non-current assets	77,898	80,331	82,930	(2,433)	(3.0%)	(2,599)	(3.1%)
Other non-current assets	297,999	302,370	306,175	(4,371)	(1.4%)	(3,805)	(1.2%)
Total assets	4,008,165	3,870,002	3,732,919	138,163	3.6%	137,083	3.7%
Deferred outflows of resources	59,456	72,110	80,984	(12,654)	(17.5%)	(8,874)	(11.0%)
Total assets and deferred outflows	4,067,621	3,942,112	3,813,903	125,509	3.2%	128,209	3.4%
Current liabilities	17,940	20,395	29,099	(2,455)	(12.0%)	(8,704)	(29.9%)
Current liabilities from restricted assets	129,974	103,924	118,469	26,050	25.1%	(14,545)	(12.3%)
Non-current liabilities	2,874,580	2,846,272	2,808,293	28,308	1.0%	37,979	1.4%
Total liabilities	3,022,494	2,970,591	2,955,861	51,903	1.7%	14,730	0.5%
Deferred inflows of resources	40,848	48,489	10,277	(7,641)	(15.8%)	38,212	371.8%
Total liabilities and deferred inflows	3,063,342	3,019,080	2,966,138	44,262	1.5%	52,942	1.8%
Net investment in capital assets	955,494	891,231	834,820	64,263	7.2%	56,411	6.8%
Restricted, net	82,418	84,607	84,429	(2,189)	(2.6%)	178	0.2%
Unrestricted	(33,633)	(52,806)	(71,484)	19,173	(36.3%)	18,678	(26.1%)
Total net position	1,004,279	923,032	847,765	81,247	8.8%	75,267	8.9%
Total liabilities, deferred inflows & net position	\$ 4,067,621	\$ 3,942,112	\$ 3,813,903	\$ 125,509	3.2%	\$ 128,209	3.4%

Following is a discussion of significant changes in assets, liabilities, and net position between fiscal years 2023 and 2022, and between fiscal years 2022 and 2021, respectively.

Fiscal Year 2023:

The largest portion of MSD's net position is its net investment in capital assets. Net investment in capital assets increased \$64.2 million, or 7.2%, in fiscal 2023. Capital asset construction and acquisitions were

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)**

funded in fiscal 2023 by \$115 million of commercial paper notes¹, draws on State Revolving Fund loans², cash generated from operations and contributions in aid of construction from developers.

Funds restricted for a specific purpose by the 1993 Sewer and Drainage System Revenue Bond Resolution (the General Bond Resolution) are classified as restricted net position. MSD is required by the resolution to make monthly transfers to its debt service accounts sufficient to meet the semi-annual debt service payments on outstanding bonds. The General Bond Resolution sets a debt service reserve requirement equal to at least 10% of the face amount of all bonds issued under the resolution, 100% of the maximum aggregate net debt service in the current or any future fiscal year or 125% of the average aggregate net debt service in the current or any future fiscal year. MSD funds the reserve at 100% of maximum aggregate net debt service with a combination of cash, investments and a \$75 million debt service reserve surety policy³. Restricted net position decreased \$2.1 million from fiscal 2022 to fiscal 2023 due a release of debt service reserves in conjunction with the 2023A and 2023B refunding revenue bond issues.

The remaining balance of MSD’s net position is unrestricted and may be used for any allowable purpose. Unrestricted net position increased \$19.1 million from fiscal 2022 to fiscal 2023 primarily as the result of a reduction in other long-term liabilities.

Fiscal Year 2022:

The largest portion of MSD’s net position is its net investment in capital assets. Net investment in capital assets increased \$56.4 million, or 6.8%, in fiscal 2022. Capital asset construction and acquisitions were funded in fiscal 2022 by \$135 million of commercial paper notes⁴, draws on State Revolving Fund loans⁵, cash generated from operations and contributions in aid of construction from developers.

Funds restricted for a specific purpose by the 1993 Sewer and Drainage System Revenue Bond Resolution (the General Bond Resolution) are classified as restricted net position. MSD is required by the resolution to make monthly transfers to its debt service accounts sufficient to meet the semi-annual debt service payments on outstanding bonds. The General Bond Resolution sets a debt service reserve requirement equal to at least 10% of the face amount of all bonds issued under the resolution, 100% of the maximum aggregate net debt service in the current or any future fiscal year or 125% of the average aggregate net debt service in the current or any future fiscal year. MSD funds the reserve at 100% of maximum aggregate net debt service with a combination of cash, investments, and a \$75 million debt service reserve surety policy⁶. Restricted net position increased \$178 thousand from fiscal 2021 to fiscal 2022 due to higher cash and investment balances on hand for debt service, debt reserves and construction.

The remaining balance of MSD’s net position is unrestricted and may be used for any allowable purpose. Unrestricted net position increased \$18.6 million from fiscal 2021 to fiscal 2022 primarily as the result of a reduction in other long-term liabilities.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The increase in net position at June 30, 2023 was \$5.9 million, or 7.9%, as compared with June 30, 2022 (see Figure 2). MSD’s total operating revenues increased by 7.3% to \$392.0 million and total operating expenses increased by 4.2% to \$241.3 million.

The increase in net position at June 30, 2022 was \$24.2 million, or 47.5%, as compared with June 30, 2021 (see Figure 2). MSD’s total operating revenues increase by 10.9% to \$365.3 million and total operating expenses increased by 2.4% to \$231.6 million.

¹ See Note 7 – Long-Term Debt

² See Note 7 – Long-Term Debt

³ See Note 2 – Cash and Investments

⁴ See Note 7 – Long-Term Debt

⁵ See Note 7 – Long-Term Debt

⁶ See Note 2 – Cash and Investments

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

(amounts in thousands)	2023-2022				2022-2021		
	FY 2023	FY 2022	FY 2021	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Operating revenues							
Service charges	\$ 385,163	\$ 356,870	\$ 325,717	\$ 28,293	7.9%	\$ 31,153	9.6%
Other operating income	6,863	8,497	3,701	(1,634)	(19.2%)	4,796	129.6%
Total operating revenues	392,026	365,367	329,418	26,659	7.3%	35,949	10.9%
Non-operating revenues	4,283	9,001	12,154	(4,718)	(52.4%)	(3,153)	(25.9%)
Total revenues	396,309	374,368	341,572	21,941	5.9%	32,796	9.6%
Operating expenses							
Service and administrative costs	124,641	118,978	109,741	5,663	4.8%	9,237	8.4%
GASB 68/75 pension expense	2,132	8,725	18,547	(6,593)	(75.6%)	(9,822)	(53.0%)
Depreciation & amortization expense	114,562	103,964	97,874	10,598	10.2%	6,090	6.2%
Total operating expenses	241,335	231,667	226,162	9,668	4.2%	5,505	2.4%
Non-operating expenses							
Interest expense	104,100	101,703	103,915	2,397	2.4%	(2,212)	(2.1%)
Amortization of debt discount/premium	(9,558)	(13,404)	(14,322)	3,846	(28.7%)	918	(6.4%)
Change in fair value - swaps	(7,614)	(11,293)	(8,796)	3,679	(32.6%)	(2,497)	28.4%
Total non-operating expenses	86,928	77,006	80,797	9,922	12.9%	(3,791)	(4.7%)
Total expenses	328,263	308,673	306,959	19,590	6.3%	1,714	0.6%
Income before capital contributions	68,046	65,695	34,613	2,351	3.6%	31,082	89.8%
Capital contributions	13,201	9,572	16,422	3,629	37.9%	(6,850)	(41.7%)
Increase (decrease) in net position	81,247	75,267	51,035	5,980	7.9%	24,232	47.5%
Net position - Beginning	923,032	847,765	796,730	75,267	8.9%	51,035	6.4%
Net position - Ending	<u>\$ 1,004,279</u>	<u>\$ 923,032</u>	<u>\$ 847,765</u>	<u>\$ 81,247</u>	<u>8.8%</u>	<u>\$ 75,267</u>	<u>8.9%</u>

Following is a discussion of the primary reasons for changes in MSD's revenues and expenses between fiscal years 2023 and 2022, and between fiscal years 2022 and 2021, respectively.

Fiscal Year 2023:

Operating revenues increased by \$26.6 million, or 7.3%, to \$392.0 million primarily due to a 5.0% rate increase effective August 1, 2022, to wastewater and drainage service charges in the Jefferson County service area. Wastewater rates in the Bullitt County service area increased 12.0% on January 1, 2023.

Operating expenses increased by \$9.6 million, or 4.2%, to \$241.3 million primarily due to higher depreciation and amortization expense. The increase was partially offset by a reduction in GASB 68 and GASB 75 pension expense.

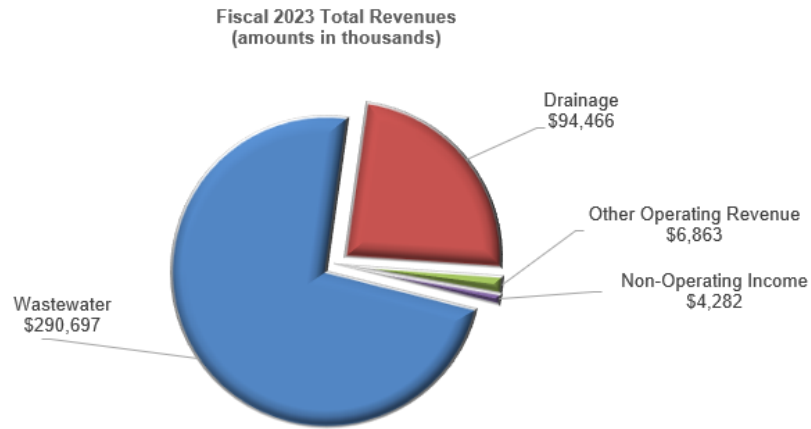
Fiscal Year 2022:

Operating revenues increased by \$35.9 million, or 10.9%, to \$365.3 million primarily due to a 6.9% rate increase effective August 1, 2021, to wastewater and drainage service charges and the acquisition of the Bullitt County Sanitation system on November 30, 2021, which added \$2.2 million in operating revenue to fiscal 2022.

Operating expenses increased by \$5.5 million, or 2.4%, to \$231.6 million primarily due to higher insurance premiums, chemical cost and depreciation and amortization expense. These expenses were partially offset by a reduction in GASB 68 and GASB 75 pension expense.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

Fiscal 2023 Total Revenues:



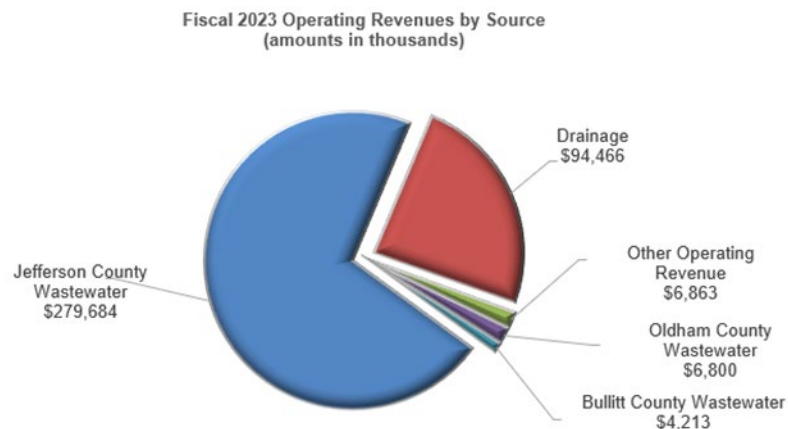
Wastewater service charges totaled \$290.6 million which is an increase of \$20.6 million, or 7.6%, from fiscal 2022. Wastewater service charge rates in Jefferson County increased 5.0% on August 1, 2022.

Drainage service charges totaled \$94.4 million which is an increase of \$7.6 million, or 8.8%, from fiscal 2022. Drainage service charge rates in Jefferson County increased 5.0% on August 1, 2022.

Other operating income totaled \$6.8 million, which is a decrease of \$1.6 million, or 19.2%, from fiscal 2022. This decrease was driven by lower capacity fees and inflow and infiltration fees in fiscal 2023.

Non-operating revenues, which represent gain or loss on disposal of assets, interest income earned on investments, the federal interest subsidy on MSD's Build America Bonds totaled \$4.2 million, which is a decrease of \$4.7 million, or 52.4%, from fiscal 2022. This reduction was driven primarily by a loss on disposal of land. In fiscal year 2023, MSD transferred land with a book value of \$13.3 million to Louisville Metro Government for the development of parklands.

Fiscal 2023 Operating Revenues by Source:



Wastewater service charges totaled \$290.6 million and consisted of \$279.6 million for MSD's Jefferson County service area, \$6.8 million for MSD's Oldham County service area and \$4.2 million for MSD's Bullitt

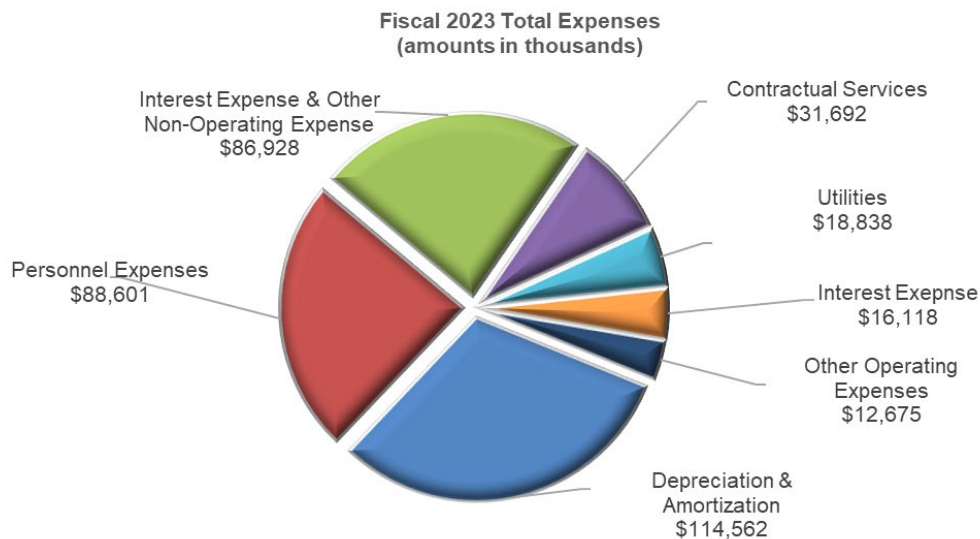
**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)**

County service area. Wastewater service charges were 58.9% Residential, 32.5% Commercial and 8.6% Industrial.

Drainage service charges totaled \$94.4 million and consisted of MSD’s Jefferson County drainage service area. Drainage service charges were 37.8% Residential, 55.6% Commercial and 6.6% Industrial.

Other operating revenue totaled \$6.8 million and consisted of \$6.3 million for Jefferson County, \$243 thousand for Oldham County and \$211 thousand for Bullitt County.

Fiscal 2023 Total Operating Expenses:



Personnel expenses decreased \$1.6 million, or 1.9%, to \$98.6 million due to lower GASB 68 pension and GASB 75 OPEB expenses because of better investment performance compared to fiscal 2022⁷.

Contractual services increased slightly by \$404 thousand, or 1.3% to \$31.6 million.

Utility expenses increased \$2.2 million, or 13.5%, to \$18.8 million due to increases in electric and natural gas rates and increased water usage.

Interest expense and other non-operating expenses increased by \$9.9 million, or 12.9% to \$86.9 million primarily due to the issuance of the 2022A revenue bonds⁸.

Depreciation and amortization increased by \$10.5 million, or 10.2%, to \$114.5 million as \$359 million in new assets were placed into service during fiscal year 2023⁹ and as MSD implemented GASB 96¹⁰.

Total expenses in fiscal 2023 increased \$18.5 million, or 5.3%, to \$369.4 million before capitalization. Capitalized overhead totaled \$41.1 million bringing net total expenses to \$328.2 million.

⁷ See Note 14 – Defined Benefit Pension and Other Postemployment Benefits Plan - Cost Sharing - CERS

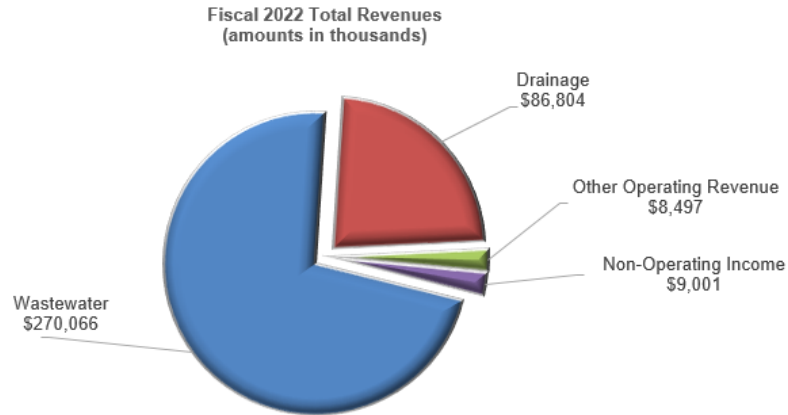
⁸ See Note 7 – Long Term Debt

⁹ See note 4 – Capital Assets, Plant, Lines and Other Facilities

¹⁰ See Note 6 – Subscription-Based Information Technology Agreements

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

Fiscal 2022 Total Revenues:



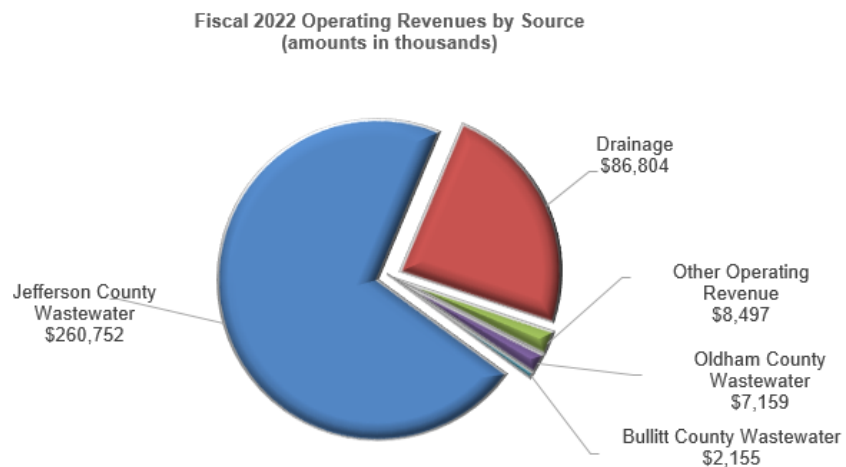
Wastewater service charges totaled \$270.0 million which is an increase of \$24.2 million, or 9.8%, from fiscal 2021. Wastewater service charge rates in Jefferson County increased 6.9% on August 1, 2021.

Drainage service charges totaled \$86.8 million which is an increase of \$6.8 million, or 8.6%, from fiscal 2021. Drainage service charge rates in Jefferson County increased 6.9% on August 1, 2021.

Other operating income totaled \$8.4 million, which is an increase of \$4.7 million, or 129.5%, from fiscal 2021. This increase was driven by higher capacity fees and inflow and infiltration fees in fiscal 2022.

Non-operating revenues, which represent gain or loss on disposal of assets, interest income earned on investments, the federal interest subsidy on MSD's Build America Bonds totaled \$9.0 million, which is a decrease of \$3.1 million, or 25.9%, from fiscal 2021. This reduction was driven primarily by a decrease in the market value of MSD's investment portfolio.

Fiscal 2022 Operating Revenues by Source:



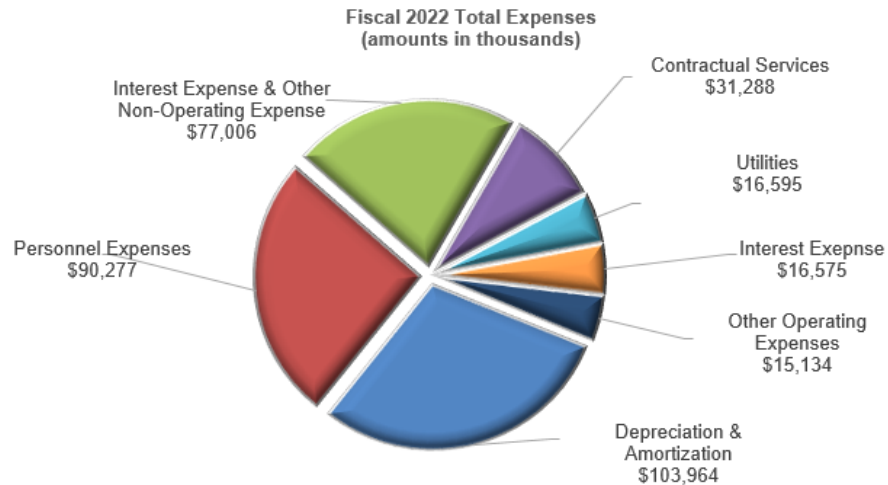
Wastewater service charges totaled \$270.0 million and consisted of \$260.8 million for MSD's Jefferson County service area, \$7.1 million for MSD's Oldham County service area and \$2.1 million for MSD's Bullitt County service area. Wastewater service charges were 59.5% Residential, 31.8% Commercial and 8.7% Industrial:

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)**

Drainage service charges totaled \$86.8 million and consisted of MSD’s Jefferson County drainage service area. Drainage service charges were 37.6% Residential, 55.9% Commercial and 6.5% Industrial.

Other operating revenue totaled \$8.4 million and consisted of \$8.1 million for Jefferson County, \$190 thousand for Oldham County and \$134 thousand for Bullitt County.

Fiscal 2022 Total Operating Expenses:



Personnel expenses decreased \$6.0 million, or 6.3%, to \$90.2 million due to lower GASB 68 pension and GASB 75 OPEB expenses because of better investment performance compared to fiscal 2021¹¹.

Contractual services decreased \$2.7 million, or 8.2% to \$31.2 million primarily due to lower legal fees.

Utility expenses increased slightly by \$330 thousand, or 2.0%, to \$16.5 million due to increases in natural gas and water costs.

Interest expense and other non-operating expenses decreased by \$3.7 million, or 1.4% to \$77.0 million primarily due to the refunding of the Series 2011A revenue bonds¹².

Depreciation and amortization increased by \$6.0 million, or 6.2%, to \$103.9 million as \$428 million in new assets were placed into service¹³.

Total expenses in fiscal 2022 increased \$2.0 million, or 0.6%, to \$350.8 million before capitalization. Capitalized overhead totaled \$42.1 million bringing net total expenses to \$308.7 million.

¹¹ See Note 14 – Defined Benefit Pension and Other Postemployment Benefits Plan - Cost Sharing - CERS

¹² See Note 7 – Long Term Debt

¹³ See note 4 – Capital Assets, Plant, Lines and Other Facilities

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

Capital Contributions:

Capital contributions increased \$3.6 million, or 37.9%, to \$13.2 million in fiscal 2023 (see Figure 3). This increase is primarily attributable to an increase in drainage infrastructure contributions from developers.

Capital contributions decreased \$6.8 million, or 41.7%, to \$9.5 million in fiscal 2022 (see Figure 3). This decrease is primarily attributable to a reduction in wastewater infrastructure contributions from developers.

FIGURE 3 - CAPITAL CONTRIBUTIONS							
<i>(amounts in thousands)</i>	FY 2023	FY 2022	FY 2021	2023-2022		2022-2021	
				Increase (Decrease)	%	Increase (Decrease)	%
				(Decrease)	Change	(Decrease)	Change
Cash flows from:							
Developer's capital - wastewater	\$ 3,649	\$ 3,068	\$ 9,810	\$ 581	18.9%	\$ (6,742)	(68.7%)
Developer's capital - drainage	8,294	3,841	4,646	4,453	100.0%	(805)	0.0%
Federal grants	1,436	2,611	963	(1,175)	(45.0%)	1,648	171.1%
Capital recovery	(178)	52	1,003	(230)	100.0%	(951)	0.0%
Total capital contributions	\$ 13,201	\$ 9,572	\$ 16,422	\$ 3,629	37.9%	\$ (6,850)	(41.7%)

CAPITAL ASSETS

Total capital assets net of depreciation increased \$134.1 million, or 4.1%, to \$3.4 billion in fiscal 2023 (see Figure 4)¹⁴. Construction in progress was the driver for the growth in capital assets.

Total capital assets net of depreciation increased \$124.3 million, or 3.9%, to \$3.2 billion in fiscal 2022 (see Figure 4)¹⁵. Construction in progress was the driver for the growth in capital assets.

FIGURE 4 - CAPITAL ASSETS NET OF DEPRECIATION							
<i>(amounts in thousands)</i>	FY 2023	FY 2022	FY 2021	Increase (Decrease)		Increase (Decrease)	
				2023-2022	%	2022-2021	%
				(Decrease)	Change	(Decrease)	Change
Sewer lines	\$ 1,712,607	\$ 1,638,136	\$ 1,355,258	\$ 74,471	4.5%	\$ 282,878	20.9%
Wastewater treatment facilities	277,003	242,875	208,553	34,128	14.1%	34,322	16.5%
Drainage facilities	900,625	787,664	794,261	112,961	14.3%	(6,597)	-0.8%
Pumping and lift stations	157,877	160,774	147,917	(2,897)	-1.8%	12,857	8.7%
Administrative facilities	8,833	9,273	10,279	(440)	-4.7%	(1,006)	-9.8%
Maintenance facilities	12,429	6,851	6,941	5,578	81.4%	(90)	-1.3%
Machinery and equipment	23,927	23,625	18,490	302	1.3%	5,135	27.8%
Miscellaneous	24,495	3,607	1,801	20,888	579.1%	1,806	100.3%
Construction in progress	309,372	420,200	625,113	(110,828)	-26.4%	(204,913)	-32.8%
Total	\$ 3,427,168	\$ 3,293,005	\$ 3,168,613	\$ 134,163	4.1%	\$ 124,392	3.9%

DEBT ADMINISTRATION

MSD ended fiscal 2023 with \$2.6 billion in outstanding long-term debt, an increase of \$36.7 million compared to the end of fiscal 2022¹⁶ (see Figure 5). This is primarily due to the issuance of additional commercial paper to finance construction in progress. Short term debt outstanding, payable from restricted assets, totaled \$55.4 million at the end of fiscal 2023 compared to \$54.9 million at the end of fiscal 2022.

¹⁴ See Note 5 – Capital Assets – Plant, Lines and Other Facilities

¹⁵ See Note 5 – Capital Assets – Plant, Lines and Other Facilities

¹⁶ See Note 7 – Long-Term Debt

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

MSD ended fiscal 2022 with \$2.6 billion in outstanding long-term debt compared to \$2.5 billion in outstanding long-term debt at the end of fiscal 2021¹⁷ (see Figure 5). This is primarily due to the issuance of additional commercial paper to finance construction in progress. Short term debt outstanding, payable from restricted assets, totaled \$54.9 million at the end of fiscal 2022 compared to \$49.3 million at the end of fiscal 2021.

FIGURE 5 - SCHEDULE OF BONDS AND OTHER FINANCING

<i>(amounts in thousands)</i>	FY 2023	FY 2022	FY 2021	Increase (Decrease) 2023-2022	Increase (Decrease) 2022-2021
Senior Revenue Bonds					
Series 2009C	\$ 180,000	\$ 180,000	\$ 180,000	\$ -	\$ -
Series 2010A	330,000	330,000	330,000	-	-
Series 2011A	-	-	243,910	-	(243,910)
Series 2013A	-	115,790	115,790	(115,790)	-
Series 2013B	107,515	109,280	110,970	(1,765)	(1,690)
Series 2013C	-	125	250	(125)	(125)
Series 2014A	79,600	79,650	79,700	(50)	(50)
Series 2015A	170,845	171,395	172,175	(550)	(780)
Series 2015B	62,995	65,975	68,815	(2,980)	(2,840)
Series 2016A	146,540	147,500	148,415	(960)	(915)
Series 2016B	17,830	19,910	21,960	(2,080)	(2,050)
Series 2016C	-	12,995	32,305	(12,995)	(19,310)
Series 2017A	143,280	149,390	155,790	(6,110)	(6,400)
Series 2017B	30,245	31,210	32,055	(965)	(845)
Series 2018A	60,380	60,380	60,380	-	-
Series 2019A	-	8,845	17,065	(8,845)	(8,220)
Series 2020A	223,000	224,000	224,750	(1,000)	(750)
Series 2020C	108,415	109,605	110,790	(1,190)	(1,185)
Series 2021A	227,720	240,485	-	(12,765)	240,485
Series 2022A	224,250	224,750	-	(500)	224,750
Series 2023A	49,745	-	-	49,745	-
Series 2023B	41,950	-	-	41,950	-
Bond Anticipation Notes					
Series 2020A	-	-	226,340	-	(226,340)
Series 2021A	-	226,340	-	(226,340)	226,340
Series 2022A	226,340	-	-	226,340	-
Other Subordinate Debt					
General Obligation Bonds	9,894	10,774	11,629	(880)	(855)
Commercial Paper Notes	165,000	50,000	150,000	115,000	(100,000)
SRF Loans	39,797	39,998	32,462	(201)	7,536
KACO Lease	1,700	1,870	2,030	(170)	(160)
	<u>\$ 2,647,041</u>	<u>\$ 2,610,267</u>	<u>\$ 2,527,581</u>	<u>\$ 36,774</u>	<u>\$ 82,686</u>

Excludes bond premiums/discounts

¹⁷ See Note 7 – Long-Term Debt

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)**

Debt Service Ratio:

Although net operating income is the most significant component of determining MSD’s debt service coverage ratio, other sources, including investment income and current period payments of property owner assessments, are also included in available revenues and net revenues for purposes of demonstrating MSD’s compliance with the debt service ratio tests in the General Bond Resolution.

The General Bond Resolution and its supplements require MSD to provide available revenues for each fiscal year sufficient to pay the sum of 110% of each year’s aggregate net debt service on revenue bonds, the amount, if any, required to be paid into the reserve account, all operating expenses as estimated in the annual budget, debt service on senior subordinated debt and any other subordinate debt and amounts necessary to pay and discharge all charges or liens payable out of available revenues. Available revenues, as used for purposes of the resolution, means all revenues and other amounts received by MSD and pledged as security for payment of bonds issued pursuant to the resolution, but excludes interest income which is capitalized in accordance with generally accepted accounting principles.

Net operating expenses include all reasonable, ordinary, usual or necessary current expenses of maintenance, repair, and operation determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Operating expenses do not include reserves for extraordinary maintenance and repair or administrative and engineering expenses of MSD which are necessary or incidental to capital improvements for which debt has been issued and which may be paid from proceeds of such debt.

Aggregate net debt service is debt service on all bonds issued pursuant to the resolution including principal payments, excluding (i) interest expense which, in accordance with generally accepted accounting principles, is capitalized and which may be paid from the proceeds of debt and (ii) other amounts, if any, available or expected to be available in the ordinary course of business for payment of debt service.

MSD’s debt service coverage ratio¹⁸, calculated on the foregoing basis, was 208% in 2023, 195% in 2022 and 186% in 2021 (see Figure 6).

FIGURE 6- DEBT SERVICE COVERAGE					
<i>(amounts in thousands)</i>	FY 2023	FY 2022	FY 2021	Increase (Decrease) 2023-2022	Increase (Decrease) 2022-2021
Total available revenues	\$ 411,058	\$ 374,827	\$ 342,392	9.7%	9.5%
Total net operating expenses	<u>124,641</u>	<u>118,978</u>	<u>109,741</u>	<u>4.8%</u>	<u>8.4%</u>
Net revenue	286,417	255,849	232,651	11.9%	10.0%
Aggregate net debt service	\$ 137,613	\$ 130,925	\$ 124,819	5.1%	4.9%
Debt service coverage ratio	208%	195%	186%	6.5%	4.8%

¹⁸ Excludes depreciation, amortization, GASB 68 pension expense and GASB 75 OPEB expense

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)**

Credit Ratings:

See Figure 7 for MSD’s existing credit ratings.

FIGURE 7- BOND AND COMMERCIAL PAPER RATINGS			
	Revenue Bonds	Subordinate Bond Anticipation Notes	Subordinate Commercial Paper Notes
Fitch Ratings	AA-		
Moody's Investors Service, Inc.	Aa3	MIG 1	P-1
S&P Global Ratings	AA	SP-1+	A-1+

FUTURE ECONOMIC FACTORS

On July 24, 2023, the MSD Board approved a 6.9% rate increase for wastewater and drainage service charges for the Jefferson County service area effective August 1, 2023. Our five-year financial plan projects annual wastewater and drainage rate increases in Jefferson County to provide funding for ongoing work associated with MSD’s Consent Decree.

Pursuant to the terms of an Interlocal Cooperation Agreement, on July 24, 2023, the MSD Board approved a 5% increase in the wastewater volume charge for MSD’s Oldham County service area effective August 1, 2023. Rate increases for wastewater service in Oldham County will not exceed 5% annually until rates for MSD’s Oldham County service area equal its Jefferson County service area.

Pursuant to the terms of an Interlocal Cooperation Agreement, on December 19, 2022, the MSD Board approved a 12% rate increase for wastewater service charges in its Bullitt County service area effective January 1, 2023. Through December 31, 2026, rate increases for wastewater service will not exceed the increases authorized by Bullitt County Ordinance No. 17-2 adopted by Bullitt County Fiscal Court on February 7, 2017. Starting January 1, 2027, rate increases for wastewater service in Bullitt County will not exceed 3% annually until rates for MSD’s Bullitt County service area equal its Jefferson County service area.

CONSENT DECREE

In April 2009, MSD entered into an amended consent decree with the Commonwealth of Kentucky’s Environmental and Public Protection Cabinet (KEPPC) and the U.S. Environmental Protection Agency (EPA) that superseded the original consent decree entered on August 12, 2005. The amended consent decree focuses on eliminating sewer overflows in MSD’s service area through an Integrated Overflow Abatement Plan (IOAP). The IOAP was amended in 2014 to improve compliance and adjust capital project schedules.

On September 14, 2022, MSD entered into a second amended consent decree with the KEPPC and the EPA which superseded and replaced the 2009 amended consent decree and the 2014 IOAP. The second amended consent decree allows MSD to reprioritize capital dollars for the rehabilitation of MSD’s aging biosolids systems, failing sewer interceptors and flood protection system rehabilitation. MSD agreed to invest \$25 million annually through 2035 for asset management projects and to incorporate \$70 million for critical sewer rehabilitation in its 5-year capital improvement plan. The second amended consent decree grants a time extension for completing the remaining 2014 IOAP projects to 2035. To date, MSD has spent

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

approximately \$1.2 billion developing and completing IOAP projects and compliance measures mandated by the consent decree.¹⁹

REQUESTS FOR ADDITIONAL INFORMATION

This report is intended to provide readers with a general overview of MSD's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the Louisville and Jefferson County Metropolitan Sewer District, 700 West Liberty Street, Louisville Kentucky 40203. You can also submit a request for additional information via MSD's website, www.msdlouky.org.

¹⁹ See Note 12 – Commitments and Contingencies

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
STATEMENTS OF NET POSITION
As of June 30, 2023
(With Summarized Financial Information as of June 30, 2022)
(amounts in thousands)

	2023	2022
Current Assets		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 66,305	\$ 48,875
Investments	69,417	69,754
Accounts receivable, less allowance for doubtful accounts of \$2,095 (2023), \$4,721 (2022)	28,963	26,242
Inventories	5,811	5,262
Accrued interest receivable	588	341
Prepaid expenses and other current assets	238	2,949
Total unrestricted current assets	171,322	153,423
Restricted Current Assets		
Cash and cash equivalents	22,414	20,788
Investments	-	12,947
Total restricted current assets	22,414	33,735
Total Current Assets	193,736	187,158
Noncurrent Assets		
Unrestricted Noncurrent Assets		
Accounts receivable, non-current	5,271	7,138
Restricted Noncurrent Assets:		
Cash and cash equivalents	3,067	2,191
Investments	74,831	78,140
Total restricted non-current assets	77,898	80,331
Capital Assets		
Utility plant in service	4,625,654	4,291,770
Less allowance for depreciation	(1,507,858)	(1,418,965)
Net utility plant in service	3,117,796	2,872,805
Construction in progress	309,372	420,200
Subscription assets, net of amortization	6,093	-
Net capital assets	3,433,261	3,293,005
Other Noncurrent Assets		
Prepaid regulatory assets	443,393	436,432
Less allowance for amortization	(160,350)	(149,411)
Net prepaid regulatory assets	283,043	287,021
Unamortized bond issuance costs	14,221	14,585
Unamortized reserve fund insurance	735	764
Total other noncurrent assets	297,999	302,370
Total Non-current Assets	3,814,429	3,682,844
Total Assets	4,008,165	3,870,002
Deferred Outflow of Resources		
Deferred outflow - pension	20,102	21,836
Deferred outflow - OPEB	16,397	23,447
Unamortized loss on refunding	22,957	26,827
Total deferred outflow of resources	59,456	72,110
Total Assets and Deferred Outflow of Resources	\$ 4,067,621	\$ 3,942,112

See accompanying Notes to the Financial Statements.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
STATEMENTS OF NET POSITION
As of June 30, 2023
(With Summarized Financial Information as of June 30, 2022)
(amounts in thousands)

	2023	2022
Current Liabilities		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 8,126	\$ 9,807
Accrued salaries and related benefits	9,814	10,588
Total unrestricted current liabilities	17,940	20,395
Current Liabilities To Be Paid From Restricted Assets		
Accounts payable and accrued expenses (capital), includes contractor retainage of \$6,272 (2023), \$4,697 (2022)	38,706	30,464
Accrued interest payable	17,895	16,622
Refundable deposits	2,142	1,920
Revenue bonds payable	52,375	52,880
Bond anticipation note	14,145	-
Other subordinate debt	3,095	2,038
Subscription asset liability	1,616	-
Total restricted current liabilities	129,974	103,924
Total Current Liabilities	147,914	124,319
Noncurrent Liabilities		
Revenue bonds payable, net	2,249,954	2,316,455
Bond anticipation note, net	212,195	226,340
Commercial paper notes	165,000	50,000
Other subordinate debt, net	48,296	50,604
Net pension liability	132,407	124,564
Net OPEB obligation	36,145	37,395
Investment derivative asset liability	27,247	40,914
Subscription asset liability, net	3,336	-
Total Noncurrent Liabilities	2,874,580	2,846,272
Total Liabilities	3,022,494	2,970,591
Deferred Inflow of Resources		
Deferred inflow - pension	6,605	17,811
Deferred inflow - OPEB	15,030	17,068
Deferred inflow - derivative instruments	17,277	11,224
Other deferred inflows	1,936	2,386
Total deferred inflow of resources	40,848	48,489
Total Liabilities and Deferred Inflow of Resources	\$ 3,063,342	\$ 3,019,080
Net Position		
Net investment in capital assets	\$ 955,494	\$ 891,231
Assets restricted for debt service	82,418	84,607
Unrestricted	(33,633)	(52,806)
Total net position	1,004,279	923,032
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 4,067,621	\$ 3,942,112

See accompanying Notes to the Financial Statements.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Fiscal Year Ended June 30, 2023

(With Summarized Financial Information as of June 30, 2022)

(amounts in thousands)

	2023	2022
Operating Revenues		
Service charges	\$ 385,163	\$ 356,870
Other operating income	6,863	8,497
Total operating revenues	392,026	365,367
Operating Expenses		
Service and administrative costs	124,641	118,978
GASB 68 pension/GASB 75 OPEB actuarial expense	2,132	8,725
Depreciation and amortization	114,562	103,964
Total operating expenses	241,335	231,667
Income from Operations	150,691	133,700
Non-operating Revenue (Expenses)		
Gain/Loss disposal of assets	-	124
Transfer of assets	(14,320)	-
Investment income	7,253	(1,467)
Build America bond refund	11,350	10,344
Interest expense - bonds	(91,736)	(86,792)
Interest expense - derivative instruments	(3,988)	(9,502)
Interest expense - other	(15,337)	(12,873)
Amortization of debt discount / premium	13,189	17,172
Amortization of loss on refunding	(3,631)	(3,768)
Capitalized interest	6,961	7,464
Change in fair value - swaps	7,614	11,293
Total non-operating revenue (expenses) - net	(82,645)	(68,005)
Income before capital contributions	68,046	65,695
Capital contributions	13,201	9,572
Increase in net position	81,247	75,267
Net position, beginning	923,032	847,765
Net position, ending	\$ 1,004,279	\$ 923,032

See accompanying Notes to the Financial Statements.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the Fiscal Year Ended June 30, 2023
(With Summarized Financial Information as of June 30, 2022)
(amounts in thousands)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 389,490	\$ 362,992
Cash paid to suppliers	(106,443)	(112,467)
Cash paid to employees	(59,643)	(54,351)
Net Cash Provided by Operating Activities	223,404	196,174
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	-	248,821
Proceeds from issuance of bond anticipation note	229,468	232,924
Proceeds from issuance of commercial paper	595,000	375,000
Proceeds from other subordinate debt	1,282	7,824
Payments for retirement of revenue bonds	(57,455)	(55,497)
Payments for retirement of bond anticipation note	(226,340)	(226,340)
Payments for retirement of commercial paper	(480,000)	(475,000)
Payments for retirement of other subordinated debt	(2,533)	(1,926)
Payments for interest expense	(105,800)	(103,136)
Payments for interest on derivative instruments	(3,988)	(9,502)
Build America bond interest subsidy	11,350	10,344
Proceeds from capital grants	1,436	2,610
Proceeds from sales of capital assets	-	124
Payments for capital assets	(190,945)	(182,495)
Proceeds from assessments	1,956	3,378
Net Cash Provided (Used) by Capital and Related Financing	(226,569)	(172,871)
Cash Flows from Investing Activities		
Purchase of investments	(142,894)	(127,427)
Maturity of investments	160,468	71,789
Investment income	5,523	2,203
Net Cash Provided (Used) by Investing Activities	23,097	(53,435)
Net Increase (Decrease) in Cash and Cash Equivalents	19,932	(30,132)
Cash and Cash Equivalents, Beginning of Year	71,854	101,986
Cash and Cash Equivalents, End of Year	\$ 91,786	\$ 71,854

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
For the Fiscal Year Ended June 30, 2023
(With Summarized Financial Information as of June 30, 2022)
(amounts in thousands)

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash provided by Operating Activities		
Income from operations	\$ 150,691	\$ 133,700
Adjustments to reconcile operating income to net cash provided by operating activities		
Capitalized overhead	(41,151)	(42,168)
Depreciation and amortization	114,562	103,964
Accounts receivable	(2,759)	(1,539)
Inventories	(549)	(176)
Prepaid expense	2,711	3,206
Accounts payable	(1,681)	(8,538)
Customer deposits	222	(834)
Accrued liabilities	(774)	(166)
Pension liability	(1,630)	7,071
OPEB liability	3,762	1,654
Net Cash Provided by Operating Activities	<u>\$ 223,404</u>	<u>\$ 196,174</u>
Non-Cash Capital Financing and Investing Activities		
Contribution of plant, lines and other facilities by developers and property owners	\$ 11,943	\$ 6,909
Construction costs in accounts payable	38,706	30,464
Transfer of assets	14,320	-
Unrealized (gain)/loss on investments	(2,040)	3,587
Decrease in interest rate swap deferred revenue	474	497
Change in fair value - derivative instruments	7,614	11,293
Bonds issued for refunding of debt - Series 2013A	91,695	-
Bonds issued for refunding of debt - Series 2011A	-	246,555

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
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**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Louisville and Jefferson County Metropolitan Sewer District (MSD), a discretely presented component unit of Louisville/Jefferson County Metro Government, are prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. MSD follows GASB Pronouncements as codified under GASB 62, including electing to report as a regulated operation. MSD uses proprietary fund accounting (enterprise fund). Due to the election as a regulated operation under GASB 62, to meet industry accounting standards and follow transactional intent, MSD uses, as applicable, ASC 980, Regulated Accounting. The basic 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with MSD' financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Reporting Entity:

MSD is a public body corporate, and political subdivision of the Commonwealth of Kentucky. MSD was created in 1946 pursuant to Chapter 76 of the Kentucky Revised Statutes, in the interest of the public health and for the purpose of providing adequate sewer and drainage facilities in the urbanized area of the Louisville Metropolitan Area. Pursuant to Chapter 76, MSD is governed by a Board which consists of eight members who are appointed by the Mayor of Louisville Metro Government, subject to approval of Louisville Metro Council. Not more than five Board members may be of the same political party. However, there is not a continuing supervisory relationship exercised by Louisville Metro Government over MSD with respect to MSD's statutory public functions.

Chapter 76 authorizes MSD to provide sewer and drainage facilities and services. MSD is further authorized by the statute to establish and collect service charges and to budget accordingly for operations and maintenance, capital outlays and debt service on obligations it is authorized by the statute to incur. No special financing relationship exists between Louisville Metro Government and MSD, nor is Louisville Metro Government empowered by law or custom to approve MSD's operating or capital budgets; nor are they responsible for financing deficits or disposing of surplus funds.

MSD has complete control, possession and supervision of the sewer and drainage system in large portions of Jefferson County, and has statutory authority to construct additions, betterments, and extensions within its service area. Additionally, MSD has statutory responsibility for approval of the design and proper construction of sewer and drainage facilities within the County's boundaries. There are cities within Jefferson County that, by statute, have the option of using MSD sewer services on a contractual basis. Third and fourth class cities also have the option of obtaining drainage services from MSD.

In 2018 the Kentucky General Assembly amended Kentucky Revised Statute Section 76.080 to allow MSD to enter into agreements with other entities to acquire by purchase, any real or personal property, or any interest, right, easement, or privilege therein, outside of its Jefferson County boundaries in connection with the acquisition, construction, operation, repair or maintenance of any sewage, wastewater, or drainage facility. MSD has subsequently extended its wastewater service area into portions of neighboring Bullitt and Oldham counties through interlocal agreements.

MSD's enterprise business activities are managed by its Board, which has statutory authority to elect officers, enact bylaws and enter into agreements and contracts for the management and regulation of MSD's affairs. MSD's revenue is derived from wastewater and drainage service charges which are collected from residential, commercial, and industrial customers. MSD controls the collection of all revenue, disbursement of payables and title to all sewer and drainage assets. Wastewater service charges are distributed among customer classes based on actual costs incurred to collect and treat wastewater. Drainage service charges are distributed among customer classes based on actual costs of drainage services per equivalent unit of impervious surface.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
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Changes in MSD's service charges are implemented by MSD's Board. Kentucky statute provides that MSD's service charge revenues shall be sufficient to provide for the operation and maintenance of the system and for debt service. By ordinance, Louisville Metro Government has provided that MSD's Board may amend its service charge schedule to maintain a debt service ratio of 1.10 for MSD's sewer and drainage revenue bonds, and that such amendments will be effective within the metropolitan area when adopted by MSD's Board, so long as the amended rates do not generate additional revenue from service charges in excess of 7% during the twelve months succeeding the period in which the ratio deficiency was identified. Amendments that would generate additional revenues in excess of 7% require Louisville Metro Council approval.

Chapter 76 permits MSD to finance sewer and drainage system construction, acquisition, and other capital improvements through the issuance of its revenue bonds and with the proceeds of governmental grants, property owner contributions in aid of construction and bonds and loans for which pledge of repayment is subordinated to the pledge of all revenues given by MSD for the security of its revenue bond holders. MSD indebtedness does not constitute indebtedness of Louisville Metro Government or the Commonwealth, but Louisville Metro Government must authorize by ordinance the issuance by MSD of revenue bonds to finance projects within the service area.

Basis of Accounting:

The sewer and drainage system owned and operated by MSD is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the system are included on the Statements of Net Position. Total net position is segregated into net investment in capital assets, restricted for payment of bond principal and interest and unrestricted. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. MSD utilizes the accrual basis of accounting wherein revenues are recorded when earned and expenses are recorded at the time the liability is incurred.

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, MSD includes repurchase agreements and other investments with an original maturity of three months or less in cash and cash equivalents. Both restricted and unrestricted amounts are included on the Statements of Cash Flows.

Restricted and Unrestricted Funds:

Restricted funds are reserved for the purpose of bond debt service, funding of capital construction, cost of issuance, and debt service reserves. Unrestricted funds, generated from service fees and other operating income, are used to pay for operating expenses. When an expense or outlay is incurred for which both restricted and unrestricted net position is available, it is MSD's general practice is to use revenue from operations to finance construction, then to reimburse from restricted net position for construction as needed.

Investment Securities:

Kentucky Revised Statue Section 66.480 and MSD's investment policy authorize MSD to invest money subject to its control in obligations of the United States and of its agencies and instrumentalities. Other allowable investments include obligations backed by the full faith of the United States or its agencies, obligations of any corporation of the United States, certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation, securities issued by a state or local government, money market mutual funds investing in any of the securities described above, individual equity securities, and individual corporate bonds. Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. With this strategy, investments would be expected to reach maturity with limited realized gains or losses. If the yield of the portfolio can be improved upon by the sale of an investment, prior to its maturity, with the reinvestment of the proceeds, then this provision is also allowed. Investments

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
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are stated at fair value. Investment income consists of interest income and the change in fair value of investments¹. Investment income is reduced by any applicable estimated federal arbitrage liability.²

Revenues, Expenses and Receivables:

Operating revenues are those revenues that are generated directly from the primary activity of MSD. These revenues are wastewater and drainage service charges and other operating income. The Louisville Water Company and Oldham County Water are responsible for the billing and collection of these charges on behalf of MSD monthly. Operating expenses are expenses incurred through the activities of operating and maintaining MSD facilities.

Non-operating revenues and expenses are comprised of investment and financing earnings and costs, changes in the fair value of derivative instruments, as well as contributions from outside sources.

Accounts receivable are stated at the amount management expects to collect from outstanding customer accounts. Accounts are considered past due 30 days from the invoice date. Management provides an allowance for doubtful account that is based on historical collection experience and a review of the status of individual accounts. Accounts that remain outstanding after management has exerted reasonable collection efforts are written off through a charge to allowance for doubtful accounts and a credit to accounts receivable. The allowance for doubtful accounts totaled \$2,095,160 on June 30, 2023.

Assessment receivables represent amounts billed to residents to have sewer lines installed in their neighborhood. Assessment receivables are considered past due once the balance is 90 days in arrears. These receivables may be current or non-current assets.

Inventory:

Inventory is stated at cost. Inventory consists of supplies and parts used in the operation of MSD's treatment plants and for the maintenance of sewers, fleet vehicles and other related equipment. Inventory totaled \$5,811,597 on June 30, 2023.

Contributed Capital and Construction Grants:

MSD finances construction of sewer and drainage plant, lines, and other facilities, in part, through government grants and contributions from property owners and developers. Governmental grants in aid of construction represent the estimated portion of construction costs incurred for which grants are expected to be paid to MSD by the governmental grantor. These amounts are recorded as a receivable and revenues from contributions at the time the related expenditures are incurred. Revenues from contributions are part of the change in net position. Government grants in aid of construction and other recoveries at June 30, 2023 were \$1,258,483. Contributed capital in the form of sewer and drainage infrastructure constructed by developers at June 30, 2023 were \$11,942,837.

Capital Assets - Plant, Lines and Other Facilities:

Plant, lines, and other facilities are recorded at historical cost or, if contributed, at acquisition value as determined by engineering estimates on the date the contribution is received. It is MSD's policy to depreciate the costs of these assets over their estimated useful lives on a straight-line basis³.

Estimated useful lives on depreciable assets are as follows:

Building and other structures	30-50 years
Land improvements	10-30 years
Miscellaneous machinery	10-20 years
Vehicles	6-12 years
Equipment, heavy	15-30 years

¹ See Note 2 – Cash and Investments

² See Note 7 – Long-Term Debt

³ See Note 4 – Capital Assets – Plant, Lines, and Other Facilities

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Equipment, light	5-15 years
Sewer lines and drainage channels	20-80 years

Costs incurred for capital construction and acquisition are carried in construction in progress until disposition or completion of the related projects. The major components of construction in progress are sewer lines, wastewater treatment and drainage facilities. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized as plant, lines, and other facilities.

Impairment of Capital Assets:

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, other changes in environmental factors, technology changes or evidence of obsolescence, changes in the manner of duration of use of a capital asset, and construction stoppage. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were recognized in fiscal year 2023.

Subscription-Based Information Technology Agreements:

In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Agreements*, subscription assets and liabilities are recognized at the commencement of the subscription term or the implementation date, whichever is earlier. The subscription asset is an intangible, right-to-use capital asset and includes the initial measurement of the subscription liability, capitalizable implementation costs, and payments associated with the contract made at the commencement of the subscription term. The subscription liability is the present value of subscription payments to be made during the subscription term and includes fixed payments, variable payments and any other incentive or payment associated with the contract that is reasonably certain. MSD expenses subscription-based information technology agreements with a total contract value of less than \$150,000.

Bonds Payable:

Bonds payable are recorded at the principal amount outstanding, net of any applicable premium or discount⁴.

Bonds outstanding, which have been refunded and economically defeased, are not included in long-term debt. The related assets are not included in investments. Any 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 shorter of either 1) the original life of the refunded debt or 2) the life of the refunding debt.

MSD enters into interest rate swap agreements to modify interest rates on outstanding debt. MSD records the net interest expenditures resulting from these agreements and amortizes gains/losses resulting from the termination of these agreements until the original termination date of the agreement. The changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the Statements of Net Position as deferred outflow of resources. Changes in fair value of investment derivative instruments are reported in non-operating revenue (expenses) on the Statements of Revenues, Expenses and Changes in Net Position⁵.

Bond issue costs are capitalized and amortized over the life of the respective bond issue using the straight-line method, which approximates the effective interest method, pursuant to the election of regulatory operation under GASB 62, as they are deemed recoverable through future rates.

⁴ See Note 7 – Long-Term Debt

⁵ See Note 9 – Derivative Instruments

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Original issue discounts and premiums on bonds are amortized as a component of interest expense using the straight-line method, which approximates the effective interest method, over the lives of the bonds to which they relate.

Compensated Absences:

Vacation and personal pay benefits are accrued as accumulated and vested by MSD employees.

Allocation of Overhead:

MSD allocates overhead costs to its core business processes: operations and maintenance; design, construction and acquisition of plant lines and other facilities; and subsidiary business enterprises.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions and estimates 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.

Income Tax Status:

MSD is exempt from federal income tax under the Internal Revenue Code as a political subdivision of the Commonwealth of Kentucky.

Adoption of New Accounting Pronouncements:

Effective July 1, 2022, MSD adopted the following GASB Statements:

- GASB Statement No. 91, "Conduit Debt Obligations." The objective of this Statement is to provide a single method of reporting conduit debt obligations and clarifies that these obligations are not government liabilities. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.
- GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.
- 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 will take effect for financial statements starting with the fiscal year that ends June 30, 2023.
- GASB Statements No. 99, "Omnibus 2022". The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

GASB Statements No. 91, No. 94, and No. 99 do not have a material impact on MSD's financial reporting. Information related to GASB Statement 96 can be found in footnote number 5, Subscription Assets.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Recent Accounting Pronouncements:

GASB has issued additional guidance that is not yet effective. MSD is currently reviewing the provisions of the following GASB Statements to determine the impact of implementation in future periods.

- GASB Statement No. 100, “Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62”. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
- GASB Statement No. 101, “Compensated Absences”. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

Reclassifications:

Prior period financial statement amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on the changes in net position or total net position.

NOTE 2 – CASH AND INVESTMENTS

The following table provides a reconciliation of cash, cash equivalents and investments as shown on the Comparative Statements of Net Position for MSD as of June 30, 2023.

(dollars in thousands)	June 30, 2023
Reported in Statements of Net Position:	
Cash and cash equivalents	
Unrestricted	\$ 66,305
Restricted - current	22,414
Restricted - noncurrent	3,067
Total cash and cash equivalents	91,786
Investments	
Unrestricted	69,417
Restricted - noncurrent	74,831
Total investments	144,248
Total Cash, Cash Equivalents and Investments	\$ 236,034

Deposits:

As of June 30, 2023, MSD’s unrestricted cash and cash equivalents are deposited in demand accounts at JP Morgan Chase and Fifth Third, MSD’s depository banks for its revenue fund.

Investments:

As of June 30, 2023, securities purchased by MSD are held in custody by Bank of New York Mellon and Fifth Third.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

The following table presents information related to MSD's investments at June 30, 2023.

June 30, 2023 (dollars in thousands)	Reported Value	Weighted Average Maturity in Years	Credit Rating
U.S. treasuries	30,699	0.16	Aaa
U.S. agency securities	78,573	0.44	Aaa
Municipal bonds	34,876	1.68	Aaa, Aa, A
Money market funds	45,291	0.06	Aaa
Repurchase agreement/cash	46,495	0.00	
Certificate of deposit	100	0.63	
Total cash, cash equivalents and investments	<u>\$ 236,034</u>	<u>2.97</u>	
Accrued interest	<u>\$ 588</u>		

Risks:

Interest Rate Risk: Interest rate risk is the risk that a change in market interest rates of fixed income securities will adversely affect the fair value of the investment. MSD minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average maturity in years represents the interest rate risk for MSD. At June 30, 2023, the longest remaining maturity for any investment was approximately three years.

Credit Risk: Credit risk is the risk that an issuer of financial securities will not fulfill its obligations to the holder of the obligation. In accordance with Kentucky Revised Statutes and MSD's investment policy, MSD manages credit risk by limiting its investments in state and local governments rated in one of the three highest categories by a competent rating agency. As of June 30, 2023, the lowest rated municipal security held by MSD was AA2.

Concentration of Credit Risk: Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. MSD's investment policy requires that investments be diversified to eliminate the risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The policy limits the amount of money invested at any time in one or more categories of the investments authorized by Kentucky Revised Statute Section 66.480 1e, 1f, 1g, and 1i shall not exceed 20% of the total amount invested. MSD was in compliance with its investment policy at June 30, 2023.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, MSD would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The collateral provided by financial institutions is considered adequate to cover all balances in excess of limits set forth by the Federal Deposit Insurance Corporation. All of MSD's investments are held by MSD or in the name of MSD by a Trustee.

Fair Value Measurement:

GASB 72 requires MSD to disclose how we measure the fair value of investments and the underlying valuation techniques. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities or repurchase agreements. 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.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes MSD's investments subject to fair value measurements and valuation techniques as of June 30, 2023.

June 30, 2023 (dollars in thousands)	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:				
U.S. treasuries	\$ -	\$ 30,699	\$ -	\$ 30,699
U.S. agencies	-	78,573	-	78,573
State and municipal obligations	-	34,876	-	34,876
Total investments by fair value level	<u>\$ -</u>	<u>\$ 144,148</u>	<u>\$ -</u>	<u>\$ 144,148</u>

Restricted Cash and Investments:

Cash and investments are restricted for various purposes as specified by MSD's General Bond Resolution. The following table summarizes restricted cash and investments by purpose at June 30, 2023.

(dollars in thousands)	June 30, 2023
Debt service reserve	\$ 77,898
Debt service	22,414
Total restricted cash & investments	<u>\$ 100,312</u>

The General Bond Resolution sets a debt service reserve requirement equal to at least 10% of the face amount of all bonds issued under the resolution, 100% of the maximum aggregate net debt service in the current or any future fiscal year or 125% of the average aggregate net debt service in the current or any future fiscal year (the three-prong test). The General Bond Resolution allows, in lieu of cash and investments in that amount, a letter of credit or policy of bond insurance payable in the required amount. On June 26, 2019, MSD purchased a debt service reserve surety policy (the Reserve Policy) from Build America Mutual Assurance Company with a maximum policy limit of \$75,000,000. The Reserve Policy terminates on May 15, 2048. Draws under the Reserve Policy may only be used to make payments of principal and interest on the bonds. Cash and investments in the debt service reserve funds shall be transferred to the debt service funds for payment of debt service on the bonds before any draw may be made on the Reserve Policy.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The following table summarizes MSD's compliance with the debt service reserve requirement at June 30, 2023.

(dollars in thousands)	June 30, 2023
Debt service reserve	\$ 77,898
Reserve surety policy	75,000
	<u>152,898</u>
Debt service reserve requirement	\$ 152,483

NOTE 3 - SCHEDULE OF NET POSITION

The following table summarizes the Schedule of Net Position as of June 30, 2023.

(dollars in thousands)	June 30, 2023
Net investment in capital assets:	
Plant, lines and other facilities net of depreciation including capitalized interest	\$ 3,716,304
Outstanding debt that applies to plant, lines and other facilities	(2,745,061)
Accounts payable and accrued expenses (capital)	(38,706)
Deferred outflows and inflows of resources	<u>22,957</u>
Total	<u>955,494</u>
Restricted for:	
Assets restricted for debt service	100,312
Liabilities associated with restricted debt service	<u>(17,894)</u>
	82,418
Unrestricted net position	<u>(33,633)</u>
Total net position	<u>\$ 1,004,279</u>

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS - PLANT, LINES AND OTHER FACILITIES

The following table summarizes MSD's plant, lines, and other facilities as of June 30, 2023.

June 30, 2023 (dollars in thousands)	Beginning Balance	Transfers In/ Additions	Retirements / Reclassifications	Ending Balance
Capital assets:				
Sewer lines	\$ 2,070,341	\$ 102,190	\$ (118)	\$ 2,172,413
Wastewater treatment facilities	696,900	57,184	-	754,084
Drainage facilities	1,033,710	148,572	(14,345)	1,167,937
Pumping and lift stations	286,974	11,888	-	298,862
Administrative facilities	52,471	702	-	53,173
Maintenance facilities	14,577	5,995	-	20,572
Machinery and equipment	100,862	9,037	(10,747)	99,152
Miscellaneous	35,935	23,545	(19)	59,461
Total capital assets	4,291,770	359,113	(25,229)	4,625,654
Less accumulated depreciation and amortization:				
Sewer lines	(432,205)	(27,627)	26	(459,806)
Wastewater treatment facilities	(454,025)	(23,056)	-	(477,081)
Drainage facilities	(246,047)	(21,265)	-	(267,312)
Pumping and lift stations	(126,200)	(14,785)	-	(140,985)
Administrative facilities	(43,198)	(1,142)	-	(44,340)
Maintenance facilities	(7,726)	(417)	-	(8,143)
Machinery and equipment	(77,237)	(8,735)	10,747	(75,225)
Miscellaneous	(32,327)	(2,639)	-	(34,966)
Total accumulated depreciation/amortization	(1,418,965)	(99,666)	10,773	(1,507,858)
Net utility plant in service	2,872,805	259,447	(14,456)	3,117,796
Construction in progress	420,200	201,526	(312,354)	309,372
Net capital assets	\$ 3,293,005	\$ 460,973	\$ (326,810)	\$ 3,427,168

Capital assets include non-depreciable assets for land related to all facilities and pumping and lift stations. The carrying value was \$47,735,489 at June 30, 2023. See Note 5, Subscription Assets, for information on subscription-based information technology agreements.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – SUBSCRIPTION ASSETS

MSD is a party to multiple subscription-based information technology agreements (SBITAs) which convey a right-to-use another party's software. MSD implemented GASB Statement 96 on July 1, 2022 which resulted in recognition of subscription assets and subscription liabilities of \$7,309,281 with no impact on opening net position. At July 1, 2022, MSD also reclassified expenses related to subscription assets totaling \$1,624,572 resulting in total subscription assets of \$8,933,853. The following table presents subscription assets and subscription liabilities at the implementation date and at June 30, 2023.

<i>(dollars in thousands)</i>	June 30, 2023	July 1, 2022
Total subscription assets	\$ 8,934	\$ 8,934
Accumulated amortization	2,841	-
Subscription assets, net	<u>\$ 6,093</u>	<u>\$ 8,934</u>
Current subscription liability	\$ 1,616	\$ 2,357
Long-term subscription liability	3,336	4,952
Total subscription liability	<u>\$ 4,952</u>	<u>\$ 7,309</u>

The following table presents SBITA principal and interest payments to maturity.

<i>(dollars in thousands)</i>	Subscription Assets		
	Principal	Interest	Total
Year Ending June 30,			
2024	\$ 1,549	\$ 138	\$ 1,687
2025	976	91	1,067
2026	916	60	976
2027	991	32	1,023
2028	520	5	525
	<u>\$ 4,952</u>	<u>\$ 326</u>	<u>\$ 5,278</u>

There are no outflows of resources in the reporting period for variable or other payments not included in the measurement of the subscription liability. There are no commitments under SBITAs before the commencement of the subscription terms. No impairment losses were recognized during fiscal year 2023. There were no SBITAs entered into during the year ended June 30, 2023.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – PREPAID REGULATORY ASSETS

In accordance with the provisions for regulated utility entities under GASB 62, MSD follows the practice of capitalizing the interest incurred as part of the cost of acquiring assets that are debt-financed for rate-making purposes. Capitalized interest is presented as a prepaid regulatory asset. MSD depreciates capitalized interest over forty years.

The following table summarizes capitalized interest and net interest expense reported in non-operating expenses at June 30, 2023.

<i>(dollars in thousands)</i>	June 30, 2023
Interest incurred	\$ 101,503
Less interest capitalization	<u>(6,961)</u>
Interest expense, net	<u>\$ 94,542</u>

The following table summarizes prepaid regulatory assets and amortization at June 30, 2023.

<i>(dollars in thousands)</i>	
Gross prepaid regulatory assets - beginning of year	\$ 436,432
Additions	<u>6,961</u>
Gross prepaid regulatory assets - end of year	443,393
Accumulated amortization - beginning of year	(149,411)
Amortization	<u>(10,939)</u>
Accumulated amortization - end of year	<u>(160,350)</u>
Net prepaid regulatory assets - end of year	<u>\$ 283,043</u>

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

The following table summarizes MSD's long-term debt outstanding at June 30, 2023.

June 30, 2023 (dollars in thousands)					
Issue Description	Outstanding at Beginning of Year	Issued	Retired	Outstanding at End of Year	Payable Within One Year
Revenue bonds	\$ 2,281,285	\$ 91,695	\$ 168,670	\$ 2,204,310	\$ 52,375
Unamortized premium/discount	88,050	23,158	13,189	98,019	-
Commercial paper notes	50,000	595,000	480,000	165,000	-
Other subordinate debt:					
General obligation bonds	10,774	-	880	9,894	907
SRF loans	39,998	1,281	1,482	39,797	2,013
Financing note	1,870	-	170	1,700	175
Total	\$ 2,471,977	\$ 711,134	\$ 664,391	\$ 2,518,720	\$ 55,470

Revenue Bonds:

MSD's long-term revenue bonds are publicly issued under its General Bond Resolution adopted December 7, 1992, to pay at maturity program notes issued and outstanding as senior subordinated debt under a Program Note Resolution or to finance sewer and drainage projects. MSD has pledged all revenues to the payment of principal and interest on its outstanding revenue bonds. Pursuant to the General Bond Resolution, upon the occurrence of any event of default, a holder or holders of twenty percent in principal amount or more of the bonds then outstanding may apply to a Judge in the Circuit Court of Jefferson County to appoint a trustee to represent all Bondholders and the trustee may declare all bonds due and payable. MSD has remedies available under the Resolution to cure an event of default even after all bonds are declared due and payable.

Federal tax regulations generally require the periodic payment to the U.S. Treasury of investment earnings on the proceeds of an issue of tax-exempt municipal bonds to the extent those earnings exceed the yield on the bonds. Such payments, known as arbitrage rebate, are normally payable every fifth year following the issuance of a series of bonds and upon the retirement of the bond issue. MSD has arbitrage calculations performed as needed by an independent third party to comply with these regulations. As of June 30, 2022, MSD's accrued liability for arbitrage rebate was \$21,378, which was associated with the Series 2019A bonds. During fiscal year 2023, the final arbitrage rebate was calculated on the Series 2019A bonds and payment was remitted to the Internal Revenue Service. As of June 30, 2023, \$515,020 was accrued as arbitrage rebate associated with the Series 2021A bonds.

A debt service coverage ratio covenant has been established under the 1992 General Bond Resolution. MSD was in compliance with the ratio covenant as of June 30, 2023.

Significant Revenue Bond Transactions: On April 13, 2023, MSD sold \$49,745,000 of its tax-exempt sewer and drainage system revenue refunding bonds Series 2023A. The proceeds of the Series 2023A bonds will be used: (i) to advance refund and redeem on May 15, 2023, MSD's sewer and drainage system revenue refunding bonds, Series 2013A maturing on May 15, 2035, and (ii) to pay the costs of issuance of the Series 2023A bonds. The proceeds of the prior bonds were used to pay the costs of capital improvements and

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additions to MSD's sewer and drainage system. The sale of the Series 2023A bonds closed on May 16, 2023. The refunding reduces debt service payments over the next twelve years by \$14,143,309 which is a net present value savings of \$8,265,698.

On April 13, 2023, MSD sold \$41,950,000 of its tax-exempt sewer and drainage system revenue refunding bonds Series 2023B. The proceeds of the Series 2023B bonds will be used: (i) to advance refund and redeem on May 15, 2023, MSD's sewer and drainage system revenue refunding bonds, Series 2013A maturing on May 15, 2036, and (ii) to pay the costs of issuance of the Series 2023B bonds. The proceeds of the prior bonds were used to pay the costs of capital improvements and additions to MSD's sewer and drainage system. The sale of the Series 2023B bonds closed on May 16, 2023. The refunding reduces debt service payments over the next thirteen years by \$10,527,526 which is a net present value savings of \$5,684,774.

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The following table summarizes revenue bonds payable at June 30, 2023.

<u>Revenue Bonds</u>	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Final Payment In</u>	<u>Outstanding as of June 30: 2023</u>
2009C series revenue bonds	\$ 180,000	5.98%	2040	\$ 180,000
2010A series revenue bonds	330,000	6.25%	2043	330,000
2013B series revenue bonds	119,515	4.00% - 5.00%	2038	107,515
2014A series revenue bonds	80,000	4.00% - 5.00%	2045	79,600
2015A series revenue bonds	175,000	3.125% - 5.00%	2046	170,845
2015B series revenue bonds	81,750	2.63% - 5.00%	2038	62,995
2016A series revenue bonds	150,000	3.00% - 5.00%	2047	146,540
2016B series revenue bonds	28,315	2.00% - 5.00%	2036	17,830
2017A series revenue bonds	175,000	3.00% - 5.00%	2048	143,280
2017B series revenue bonds	35,725	5.00%	2025	30,245
2018A series revenue bonds	60,380	4.00%	2038	60,380
2020A series revenue bonds	225,000	2.00% - 5.00%	2050	223,000
2020C series revenue bonds	112,065	0.29% - 2.65%	2044	108,415
2021A series revenue bonds	246,555	2.22%	2034	227,720
2022A series revenue bonds	225,000	2.63% - 5.00%	2052	224,250
2023A series revenue bonds	49,745	5.00%	2035	49,745
2023B series revenue bonds	41,950	5.00%	2036	41,950
Total revenue bonds				2,204,310
Add: unamortized premium/discount				98,019
Total bonds payable				2,302,329
Less: current maturities				(52,375)
Total bonds payable, long term portion				<u>\$ 2,249,954</u>

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The following table presents revenue bond debt service requirements after June 30, 2023.

<i>(dollars in thousands)</i>	Revenue Bonds		
	Principal	Interest	Total
Year Ending June 30,			
2024	\$ 52,375	\$ 89,447	\$ 141,822
2025	55,670	87,345	143,015
2026	56,180	85,059	141,239
2027	74,465	82,854	157,319
2028	73,225	79,229	152,454
2029-2033	242,860	365,947	608,807
2034-2038	506,275	309,845	816,120
2039-2043	634,580	186,319	820,899
2044-2048	478,030	45,323	523,353
2049-2053	30,650	1,586	32,236
	<u>\$ 2,204,310</u>	<u>\$ 1,332,954</u>	<u>\$ 3,537,264</u>

The following table provides a summary of current and long-term revenue bond activity at June 30, 2023.

<i>(dollars in thousands)</i>	June 30, 2023
Revenue bonds - beginning of year	\$ 2,281,285
Bonds issued	91,695
Principal paid on bonds	(52,880)
Bond refunding	(115,790)
Revenue bonds - end of year	<u>\$ 2,204,310</u>

General Obligation Bonds:

MSD merged with the OCEA on June 30, 2020. Oldham County previously issued its County of Oldham general obligation bonds Series 2014, and general obligation Series 2017 refunding bonds, the proceeds of which financed the costs of various improvements to the sanitary sewer system owned by OCEA. The balance of the bonds outstanding at June 30, 2023 was \$9,893,692. MSD agreed to support Oldham County's payment of debt service for the supported bonds subject to the terms of an Assistance Agreement dated June 30, 2020. Upon the occurrence of an uncured event of default under the Assistance Agreement, Oldham County is entitled to exercise all remedies available at law or in equity.

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The following table provides a summary of current and long-term general obligation bond activity as of June 30, 2023.

<i>(dollars in thousands)</i>				
General Obligation Bonds	Original Issue Amount	Interest Rates	Final Payment In	Outstanding as of June 30: 2023
2017 series general obligation bonds	\$ 3,750	2.08%	2030	\$ 3,329
2014 series general obligation bonds	9,790	3.00% - 3.20%	2035	6,565
Total general obligation bonds				9,894
Less: current maturities				(907)
Total bonds payable, long term portion				<u>\$ 8,987</u>

The following table presents general obligation bond debt service requirements after June 30, 2023.

<i>(dollars in thousands)</i>	General Obligation Bonds		
	Principal	Interest	Total
Year Ending June 30,			
2024	\$ 907	\$ 260	\$ 1,167
2025	930	237	1,167
2026	957	214	1,171
2027	983	189	1,172
2028	1,004	163	1,167
2029-2033	3,843	455	4,298
2034-2038	1,270	40	1,310
	<u>\$ 9,894</u>	<u>\$ 1,558</u>	<u>\$ 11,452</u>

Commercial Paper and Bank Notes:

2023 Program Note Resolution: On March 27, 2023, the MSD Board adopted a Program Note Resolution authorizing the issuance of one or more series of sewer and drainage system subordinated program notes in an aggregate principal amount not to exceed \$500,000,000 for the purpose of financing eligible sewer and drainage projects and to refund program notes or subordinate lien bond anticipation notes. Program notes issued under the Program Note Resolution are subordinate and junior in all respects to revenue bonds issued under the General Bond Resolution. Program notes are issued as senior subordinated debt secured on a parity with the bond anticipation notes⁶.

MSD has issued two subseries of commercial paper notes under the Program Note Resolution: Series 2023A-1 with a maximum outstanding of \$250,000,000 and Series 2023A-2 with a maximum outstanding of \$250,000,000. Commercial paper notes may be issued and sold, at public or private sale, as taxable or tax-exempt notes, maturing in 270 days or less (but in any event not later than June 18, 2026) as determined by MSD, and bearing interest at a rate not in excess of 12% per annum for taxable notes or 10% per annum for tax-exempt notes. Commercial paper notes are payable only from (i) proceeds of the sale of other commercial paper notes issued under the Program Note Resolution and used to refund outstanding commercial paper notes, (ii) the proceeds of direct purchase notes or other loans used to refund outstanding

⁶ See Note 8 – Bond Anticipation Notes

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commercial paper notes, and (iii) the proceeds of revenue bonds issued to pay outstanding commercial paper notes.

Liquidity support for commercial paper Series 2018A-1 is provided by Bank of America, N.A (BANA) pursuant to a Revolving Credit Agreement dated June 1, 2023. BANA has provided a commitment of \$250,000,000 for the payment of the principal of and interest on the Series 2023A-1 notes. MSD and BANA entered into a Note Purchase Agreement dated June 1, 2023, providing for the purchase of direct purchase notes by BANA up to the aggregate principal amount of \$250,000,000. The BANA Revolving Credit Agreement and the BANA Note Purchase Agreement limit the aggregate principal amount of commercial paper notes Series 2023A-1 and the BANA direct purchase notes to \$250,000,000. BofA Securities, Inc. is acting as the dealer for Series 2023A-1 notes.

Liquidity support for commercial paper Series 2023A-2 is provided by JPMorgan Chase Bank, National Association (JPMCB) pursuant to a revolving credit agreement dated June 1, 2023. JPMCB has provided a commitment of \$250,000,000 for the payment of the principal of and interest on the Series 2023A-2 notes. MSD and JPMCB entered into a Note Purchase Agreement dated June 1, 2023, providing for the purchase of direct purchase notes by JPMCB up to the aggregate principal amount of \$250,000,000. The JPMCB Revolving Credit Agreement and the JPMCB Note Purchase Agreement limit the aggregate principal amount of commercial paper notes Series 2023A-2 and the JPMCB direct purchase notes to \$250,000,000. J.P. Morgan Securities LLC is acting as the dealer for Series 2018A-2 notes.

Upon the occurrence of any special event of default under the Revolving Credit Agreements and Note Purchase Agreements, the commitment shall immediately terminate with respect to all commercial paper notes and the banks shall have no obligation to make any loan or to fund any outstanding commercial paper note. Upon the occurrence of an event of default that is not a special event of default, the banks may, by notice to MSD, terminate the commitment, if any (except as provided below), deliver a notice of no-issuance to MSD and to the Issuing and Paying Agent directing the Issuing and Paying Agent to cease issuing all commercial paper notes. The available commitment shall immediately be reduced to the then outstanding principal amount of commercial paper notes plus the amount of interest to accrue on such notes and the available commitment shall be further reduced in a similar manner when commercial paper notes mature provided the commitment does not terminate, and the right of the bank to accelerate the maturity of the note and the loans shall not affect the obligation of the bank to make loans in aggregate principal amount equal to the commitment to the extent necessary for MSD to make required payments of principal on the commercial paper notes issued and sold prior to the date upon which the notice of no-issuance is received by the Issuing and Paying Agent; provided further that if any loans are made that would not have been made but for the application of the preceding provision, such loans shall be immediately due and payable on the date such loans are made.

Moody's Investors Service and Standard and Poor's Ratings Services assigned ratings of P-1 and A-1+, respectively, to the commercial paper notes on June 5, 2023.

Commercial paper notes of \$165,000,000 were outstanding as of June 30, 2023, in accordance with the respective 2023 Revolving Credit Agreements. Interest rates on the notes outstanding range from 3.5% to 3.7% and maturities range from twelve to eighty-four days.

2018 Program Note Resolution: On June 25, 2018, the MSD Board adopted a Program Note Resolution authorizing the issuance of one or more series of sewer and drainage system subordinated program notes in an aggregate principal amount not to exceed \$500,000,000 for the purpose of financing eligible sewer and drainage projects and to refund program notes or subordinate lien bond anticipation notes. MSD issued two subseries of commercial paper notes under the Program Note Resolution: Series 2018A-1 with a maximum outstanding of \$250,000,000 and Series 2018A-2 with a maximum outstanding of \$250,000,000.

Liquidity support for commercial paper Series 2018A-1 was provided by Bank of America, N.A (BANA) pursuant to a Revolving Credit Agreement dated July 1, 2018, and amended December 22, 2020. MSD

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and BANA entered into a Note Purchase Agreement dated July 1, 2018, and amended December 22, 2020, providing for the purchase of direct purchase notes by BANA up to the aggregate principal amount of \$250,000,000. The BANA Revolving Credit Agreement and the BANA Note Purchase Agreement terminated on June 21, 2023.

Liquidity support for commercial paper Series 2018A-2 was provided by JPMorgan Chase Bank (JPMCB) pursuant to a revolving credit agreement dated July 1, 2018, and amended December 22, 2020. MSD and JPMCB entered into a Note Purchase Agreement dated July 1, 2018, and amended December 22, 2020, providing for the purchase of direct purchase notes by JPMCB up to the aggregate principal amount of \$250,000,000. The JPMCB Revolving Credit Agreement and the JPMCB Note Purchase Agreement terminated on June 21, 2023.

The following table summarizes the outstanding and available balance of the commercial paper program at June 30, 2023.

June 30, 2023 (dollars in thousands)			
Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Series 2023A-1	\$ 250,000	\$ 80,000	\$ 170,000
Series 2023A-2	250,000	85,000	165,000
Total	<u>\$ 500,000</u>	<u>\$ 165,000</u>	<u>\$ 335,000</u>

MSD has classified all outstanding commercial paper notes as long-term debt in accordance with GASB 62 as it intends to redeem the notes with the proceeds of long-term revenue bonds.

The following table summarizes commercial paper program transactions for the year ended June 30, 2023.

June 30, 2023 (dollars in thousands)					
Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Series 2018A-1	\$ 20,000	\$ 220,000	\$ 240,000	\$ -	\$ -
Series 2018A-2	30,000	210,000	240,000	-	-
Series 2023A-1	-	80,000	-	80,000	-
Series 2023A-2	-	85,000	-	85,000	-
Total	<u>\$ 50,000</u>	<u>\$ 595,000</u>	<u>\$ 480,000</u>	<u>\$ 165,000</u>	<u>\$ -</u>

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State Revolving Fund Loans:

MSD utilizes funding provided through the Kentucky Infrastructure Authority's (KIA) State Revolving Fund (SRF). The SRF financing program provides low interest loans for infrastructure projects that are considered a priority based on the water pollution control criteria outlined in the Clean Water Act. MSD's SRF loans are considered direct placement debt and carry interest rates ranging between 1.75% and 3.8%. Under the assistance agreements entered with the KIA, upon the occurrence and continuance of any event of default, the Authority may declare all payments due at a default rate of 8%. Additionally, when an event of default occurs and is continuing, the Authority 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.

Significant SRF Transactions: As of June 30, 2023, MSD has expended \$24,200,000 in eligible project costs for loan number A19-028. The full amount of the loan has been drawn and the project is complete.

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The following table shows outstanding SRF direct placement debt at June 30, 2023.

June 30, 2023 (dollars in thousands)					
Loan Number	Loan Amount	Drawn Amount	Interest Rate	Final Payment In	Outstanding at end of Year
A09-41	\$ 2,395	\$ 2,395	3.00%	2033	\$ 1,315
A10-04	2,843	2,843	2.00%	2033	1,563
A10-05	1,000	1,000	3.00%	2033	574
A10-06	121	121	2.00%	2033	64
A10-07	2,538	2,538	2.00%	2034	1,457
A11-15	671	671	2.00%	2033	369
A12-29	6,500	6,500	1.75%	2037	4,630
A17-028	7,400	2,084	1.75%	*	2,084
A18-010	1,116	1,116	1.75%	2040	996
A19-015	2,695	2,695	2.00%	2042	2,528
A19-028	24,200	24,200	2.00%	2042	23,705
B10-01	500	500	3.00%	2030	210
B10-04	500	500	3.00%	2031	236
B15-006	87	87	1.75%	2038	66
Total loans payable					39,797
Less: current maturities					<u>(2,013)</u>
Total loans payable, long term portion					<u>\$ 37,784</u>

* Loan is partially drawn. Final payment will be 20 years following project completion anticipated in December 2023.

KACO Financing Note:

Oldham County Fiscal Court, on behalf of OCEA, previously entered a note financing obligation with the Kentucky Association of Counties Trust in the amount of \$4,000,000 at an interest rate of 4.94% to finance various treatment facilities. MSD entered into an agreement with the County of Oldham Kentucky, as part of its merger with OCEA, on June 30, 2020, to make the remaining note payments when due. In the event of default, the Kentucky Association of Counties Trust may by written notice, take possession of the

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treatment facilities, sell or lease the treatment facilities, or exercise any remedy available to it under applicable law. At June 30, 2023, the remaining principal balance is \$1,700,000. Final maturity is in 2031.

Line of Credit:

MSD secured an uncommitted, \$25,000,000 line of credit in October 2015. The line of credit was terminated in March 2023. There was no activity on the line of credit in fiscal year 2023.

NOTE 8 – BOND ANTICIPATION NOTES

MSD issues bond anticipation notes (BAN) under its Subordinated Bond Resolution adopted April 26, 2010. Bonds issued under the Subordinated Resolution are superior in priority to all revenue debt of MSD except bonds issued under the General Bond Resolution. Pursuant to the Subordinated Resolution, upon the occurrence and continuance of any event of default, the paying agent may or the holders of more than fifty percent in principal amount of outstanding notes may, by notice delivered to MSD, declare the principal and interest of all notes immediately due and payable. MSD has remedies under the resolution to cure the event of default and annul the declaration of acceleration.

MSD first publicly offered and issued a \$226,340,000 BAN to partially refund its then outstanding sewer and drainage system revenue bonds, Series 1999A and a portion of its Series 1997A and 1998A revenue bonds on August 19, 2009. The BAN has been reissued annually. Under GASB 62, the BAN is considered a non-current liability because MSD intends to replace the Series 2022 BAN with other long-term financing in October 2023. Total BAN outstanding at June 30, 2023 was \$226,340,000. MSD’s plan is to amortize the BAN principal over the same period as the amortization of the notional amount of the hedging derivative instruments⁷.

Significant BAN Transactions: On September 28, 2022, MSD sold \$226,340,000 of sewer and drainage system subordinated BAN, Series 2022 with a coupon rate of 4.00% and an effective interest rate of 2.57%. The proceeds of the notes were used to (i) refund the 2021 notes at maturity on October 14, 2022, and (ii) to pay the costs of issuance of the Series 2022 notes. The 2022 notes closed on October 5, 2022, and will mature on October 6, 2023.

The following table summarizes changes in the BAN during fiscal year 2023.

June 30, 2023 (dollars in thousands)					
Issue Description	Outstanding at Beginning of Year	Issued	Retired	Outstanding at End of Year	Payable Within One Year
2021 Bond anticipation notes	\$ 226,340	\$ -	\$ 226,340	\$ -	\$ -
2022 Bond anticipation notes	-	226,340	-	226,340	14,145
Total	\$ 226,340	\$ 226,340	\$ 226,340	\$ 226,340	\$ 14,145

⁷ See Note 9 – Derivative Instruments

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NOTE 9 – DERIVATIVE INSTRUMENTS

The following table presents MSD's interest rate derivatives outstanding at June 30, 2023.

<i>(dollars in thousands)</i>								
Derivative Instrument	Type	Objective	Counterparty	Original Notional	Notional Amount 6/30/2023	Effective Date	Termination Date	Terms
A	Pay-fixed interest rate swap	Hedge interest rate risk on Series 2022 BAN	Wells Fargo, N.A.	\$ 180,716	\$ 175,356	6/15/2013	5/15/2033	Pay 4.4125% Receive 67% USD-1M SOFR
B	Pay-fixed interest rate swap	Hedge interest rate risk on Series 2022 BAN	Bank of America, N.A.	56,433	43,839	11/16/2009	5/15/2033	Pay 4.4125% Receive 67% USD-1M SOFR
				<u>\$ 237,149</u>	<u>\$ 219,195</u>			

MSD originally entered interest rate swaps as a hedging derivative instrument in anticipation of refinancing the 1999 Series bonds at their call date. Two swaps remain in the portfolio to lower interest rate risk associated with the BAN⁸. The hedgeable item is interest rate risk associated with the expected future issuance of debt associated with refinancing the BAN. The swaps are structured so that the notional amounts of the swaps decrease over time corresponding with the amortization of the BAN principal.

Interest rate swaps are classified as hedging derivative instruments if they meet the criteria outlined in GASB 53 or as investment derivative instruments if they do not. MSD has designated its interest rate swaps as hedging derivatives under GASB 53 as of July 1, 2019. At June 30, 2023, MSD's interest rate derivatives are effective cash flow hedges and were classified as hedging derivatives in its financial statement. The fair value of the at-market portion, the hedging derivative, is reported as other assets and deferred inflows if positive and other liabilities and deferred outflows if negative on the Statements of Net Position. The difference between the fair value of the at-market hedging derivatives and the fair value of the interest rate swaps is reported as investment derivatives on the Statements of Net Position. All changes in fair value of the derivatives are recorded as a separate component of non-operating revenue (expense).

Both swaps have termination dates of May 15, 2033. Payments are due on the fifteenth of each month. MSD receipt terms are 67% of the 30-day London Inter-Bank Offered Rate (LIBOR) or the replacement rate. MSD adhered to the 2020 IBOR Fallbacks Protocol on January 17, 2023. LIBOR will be replaced with 30-day Secured Overnight Financing Rate (SOFR) in MSD's derivative contracts following the cessation of 30-day LIBOR. The following table presents a summary of the change in fair value of the derivative instruments for the year ended June 30, 2023.

<i>(dollars in thousands)</i>	
	June 30, 2023
Fair value - beginning of year	\$ (40,914)
Change in fair value	<u>13,667</u>
Fair value - end of year	<u>\$ (27,247)</u>

⁸ See Note 8 – Bond Anticipation Notes

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The following table presents fair values for the non-credit adjusted, at-market portion of the derivatives at June 30, 2023.

<i>(dollars in thousands)</i>	June 30, 2023	
Derivatives (at-market)	Clean	Accrued
1999-1 - \$180.7M 67% LIBOR fixed payer	\$ (13,820)	\$ (156)
1999-2 - \$56.4M 67% LIBOR fixed payer	<u>(3,457)</u>	<u>(39)</u>
Total	<u>\$ (17,277)</u>	<u>\$ (195)</u>

The following table provides classification of the at-market portion and investment portion of the derivatives at June 30, 2023.

<i>(dollars in thousands)</i>	Changes in Fair Value		Fair Value as of June 30, 2023		
Governmental Activities	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred inflows	\$ 6,052	Other liabilities	\$ (27,247)	\$ 219,195
			Accrued interest	<u>(92)</u>	
				<u>\$ (27,339)</u>	
Investment derivatives:					
Pay-fixed interest rate swaps	Non-operating expenses	<u>7,615</u>			
		<u>\$ 13,667</u>			

Valuation Techniques:

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Non-performance risk was measured using credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics. This is the best method available under current market conditions since MSD has no credit default swaps that actively trade in the marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties is determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating are used with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative. A level two (2) category hierarchy was employed for fair valuation measurement. The positive and negative fair values of the swap agreements were provided by a third-party financial advisor.

Risks:

Credit Risk: Credit risk is the risk that a swap counterparty will not fulfill its obligations to MSD. MSD has implemented steps to safeguard it against the risks associated with the swap transactions. If the swap counterparties do not maintain A1/A+ ratings from Moody's Investors Service and Standard and Poor's Rating Service, the swaps contain provisions that require them to be marked to market weekly with monthly statements sent to MSD and the value will be collateralized with U.S. Treasury and Agency securities with the securities held by a tri-party custodian approved by MSD. All costs of collateralization will be borne by

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the downgraded party who must post the collateral. In addition, the swaps were awarded to multiple firms to further mitigate the credit risk associated with the transactions.

The following table presents credit ratings of the counterparties to MSD's derivative instruments as of June 30, 2023.

	Moody's	Standard & Poor's
Bank of America, N.A.	P-1	A-1
Wells Fargo Bank, N.A.	P-1	A-1+

The agreements also provide for automatic termination if MSD's unenhanced bond rating is downgraded below BBB/Baa. MSD's obligations under its outstanding swap agreements are unsecured and subordinate to all bonds issued and outstanding.

The credit adjusted at-market portion, the accrued interest portion and off-market fair value of derivative instruments A and B are in liability positions of \$17,276,754, \$195,385 and \$9,970,278, respectively, at June 30, 2023. The aggregate fair value is negative \$27,339,463 (gross of implied note outstanding balance as of June 30, 2023). This represents the maximum loss that would be recognized at the reporting date if one or both swap counterparties failed to perform as contracted. There is no posted collateral to net against the fair value.

The contracts for derivative instruments A and B are held by Wells Fargo, N.A. and Bank of America, N.A., respectively, and comprise 100% of the net exposure to credit risk.

Termination Risk: Termination risk is generally referred to as the risk that a derivative instrument could be terminated causing MSD to owe a termination payment as a result of any of several events, which may include: a ratings downgrade of the swap counterparty; covenant violations by either party; bankruptcy of either party; a swap payment default of either party; and other default events as defined by the derivative instrument. Any such termination may require MSD to make significant termination payments in the future. The approximate amount of termination payment that MSD would have to pay if each of the derivative instruments were terminated on June 30, 2023, is approximately \$27,339,463. It should be noted that this is the non-credit adjusted (non GASB 72) mark-to-market valuation as of last business day of the fiscal year. The provisions of the agreements related to each derivative instrument allow for the offset of certain reimbursable costs related to the termination process.

To further mitigate the effect of termination risk relative to derivative instruments A and B, the agreements contain certain safeguards which include (i) collateral posting requirements as discussed in the preceding Credit Risk section and (ii) except for certain types of termination events there is no automatic early termination.

Derivative instruments A and B may be terminated, if the underlying rating of MSD's obligations that are subject to annual appropriation falls below "BBB" from Standard and Poor's Ratings Service or below "Baa2" from Moody's Investors Service.

While there is no optional termination language in the confirmations of derivative instruments A and B, Wells Fargo, N.A. and Bank of America, N.A., respectively, may accommodate MSD to terminate the derivative instruments early, subject to credit approval.

If, at the time of termination, a swap has a negative fair value, MSD could be liable to the counterparty for a payment equal to the derivative instrument's fair value. If any of the derivative instruments are terminated, either the associated variable rate bonds would no longer be hedged with a synthetic fixed interest rate or

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the nature of the basis risk associated with the derivative instrument may change. As of June 30, 2023, MSD is not aware of any pending event that would lead to a termination event with respect to any of its existing derivative instruments, which are in force and effect as of such date.

Basis Risk: Basis risk is the risk that arises when an interest rate hedge is imperfect. Each of the derivative instruments is associated with certain debt obligations. The debt associated with each of the derivative instruments pays interest at variable interest rates. MSD receives variable payments under the derivative instrument. To the extent these variable payments are not equal to the variable interest payments on the associated debt there may be either a net loss or net benefit to MSD. The net swap payments made by MSD in fiscal year 2023 were \$3,987,927.

Rollover Risk: Rollover risk occurs when the term of the derivative instrument is not coincident with the repayment term of the underlying debt obligation. Derivative instruments A and B have terms equal to the critical terms of the hedged interest rate exposure.

Interest Rate Risk: Interest rate risk is the risk that a change in interest rates will reduce the value of an investment or position. MSD is exposed to interest rate risk on its interest rate derivative instruments. There may be either a net loss or net benefit to MSD depending upon decreases or increases in the applicable yield curve.

Terminations:

Upon a termination of a swap, any termination receipt or payment is amortized into income or expense until the original expiration date of that swap. Any unamortized portion of the receipt or payment is recorded as a deferred debit or credit in long-term liabilities. MSD has swap agreement terminations with deferred inflow of resources balances accreting to non-operating revenue as follows:

- In April 2006, MSD entered into a swap agreement with Deutsche Bank AG for an initial notional amount of \$171,405,000 which provided that beginning May 15, 2006, a net payment will be made based on MSD paying 78.78% of the 3-month LIBOR index on the notional amount and receiving 73.45% of the 5-year LIBOR Index on the notional amount. On January 23, 2008, MSD terminated this swap agreement and received a termination payment of \$4,170,000 that will be amortized until December 2023, the original termination date of the agreement.
- On January 25, 2008, MSD terminated a twenty-seven-year floating to floating (basis) interest rate swap agreement with a notional amount of \$282,165,000. MSD entered into this agreement with Morgan Stanley in April 2006 and paid 67% of the 1-month LIBOR index and received 62.2% of the 5-year LIBOR index. The termination of this swap agreement resulted in the receipt of a payment in the amount of \$5,756,000. This payment will be amortized annually into income until April 2033, the original termination date of the agreement.

NOTE 10 - RISK MANAGEMENT

MSD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to MSD's employees. These risks are provided through the insurance programs described below.

Self-Insurance – Group Liability:

MSD participates in the Louisville Area Governmental Self-Insurance Trust (LAGIT). LAGIT, which is certified by the Kentucky Department of Insurance to practice as a group liability self-insurance trust, was created on January 1, 1987. LAGIT members currently include Louisville Metro Government, six smaller cities, and six government agencies. LAGIT was formed to provide better risk protection and lower cost liability insurance by sharing the risk with all its members. MSD's payments to LAGIT are reflected on the financial statements as an expense. LAGIT provides, after a \$300,000 deductible, various liability coverages up to \$5,000,000 per occurrence. The amount of coverage available to MSD could be limited by

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the total assets of LAGIT and/or claims of other members under the excess insurance policy. No claims were paid in fiscal year 2023 that exceeded the \$300,000 self-insured retention with LAGIT.

MSD maintained additional excess liability coverage for fiscal year 2023. Allied World National Assurance Company (A) provided \$5,000,000 of excess liability coverage beyond the \$5,000,000 provided through LAGIT. The Princeton Excess & Surplus Lines Insurance Company (A+) provided another \$5,000,000 of excess liability coverage beyond \$10,000,000. In total, MSD maintained liability coverage of \$15,000,000. No claims were made on either policy in fiscal year 2023.

Workers Compensation Insurance:

MSD has chosen to self-insure the basic worker's compensation insurance. Claims administration is handled by a third-party administrator and includes claims monitoring, check issuance, settlement negotiations, and loss control services. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. A separate insurance policy provides maximum coverage of \$1,000,000 per occurrence and aggregate. The liability for workers compensation claims is included with accrued salaries and related benefits on the Statements of Net Position. The following table summarizes workers compensation claim activity during fiscal year 2023.

<i>(dollars in thousands)</i>	June 30, 2023
Liability - beginning of year	\$ 1,797
Claims and changes in estimates	1,007
Payments	(902)
Liability - end of year	<u>\$ 1,902</u>

Self-Insurance – Property:

MSD joined the Louisville Area Governmental General Insurance Trust (LAGGIT) in September 2002. LAGGIT was created to provide lower cost to participants and broader coverage for property risks. MSD is responsible for covered property damage up to \$100,000 except for flood and vehicle collision coverage, which have separate deductibles. LAGGIT provides coverage for the next \$1,000,000 per occurrence, except for Flood Zone A locations. An excess insurance policy with a third-party carrier covers claims more than \$1,100,000. No claims were made under the LAGGIT policy in fiscal year 2023.

NOTE 11 - DEFERRED COMPENSATION

MSD offers its employees deferred compensation plans created in accordance with Internal Revenue Service Code Sections 401(k) and 457. These plans, available to all MSD employees, permit them to defer the payment of a portion of their salary until future years. Participation in these plans is voluntary and MSD makes no contributions to these plans on behalf of the employee. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of MSD's general creditors.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Sale of Sewer Assessments:

MSD has entered into agreements to sell sanitary sewer assessments to a local bank. These assessments reflect the portion of the cost that residents pay to have sewer lines installed in their neighborhood. Residents were given the opportunity to pay the assessment in full or to finance it over a twenty-year period at 7% interest per annum. The original agreement called for the bank to accept up to \$25,000,000 of outstanding assessments and for MSD to receive 104% of the face value of the assessments.

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The subsequent agreement allows an additional \$5,000,000 of assessments to be sold to the bank at face value. These agreements give the bank the option to place the assessments back with MSD if the property owner's payments are 90 days in arrears or the property owner does not respond to the bank's demand for payment within a 90-day period after the issuance of the assessment. Sales to the bank are net of any subsequent repurchases of warrants by MSD. The unpaid principal balance of loans held by the bank at June 30, 2023 was \$135,409.

Consent Decree:

On August 12, 2005, MSD agreed to enter a consent decree with the Commonwealth of Kentucky's Environmental and Public Protection Cabinet (KEPPC) and the U.S. Environmental Protection Agency (EPA). The consent decree called for MSD to submit a final Long-Term Control Plan (LTCP) to the KEPPC and EPA for review and joint approval. The final Sanitary Sewer Discharge Plan (SSDP) and the LTCP were certified on December 19, 2008, under the title of the Integrated Overflow Abatement Plan (IOAP). The SSDP included schedules and deadlines for capital projects to be completed by the end of 2024. The LTCP included schedules, and deadlines for combined sewer overflow projects to be completed by December 31, 2020. MSD agreed to pay a civil penalty to the Commonwealth of Kentucky in the amount of \$1,000,000 to resolve the violations alleged in the KEPPC's and EPA's complaints up through the date of entry of the consent decree. The agreement called for MSD to perform supplemental environmental projects at an amount of not less than \$2,250,000. MSD neither admitted nor denied the alleged violations but acknowledged that discharges occurred and accepted the obligations imposed in the consent decree.

On April 10, 2009, MSD agreed to enter an amended consent decree with the KEPPC and the EPA. The amended consent decree resolved all pending claims of violations of the Federal Water Pollution Control Act and the Water Quality Act of 1987. The amended consent decree superseded and replaced the original consent decree entered on August 12, 2005. The amended consent decree contains stipulated penalties for MSD's failure to comply with the provisions contained therein. The IOAP was amended in 2012 and 2014 to improve compliance and adjust capital project schedules. To date, MSD has complied with all submittal and report requirements contained in the amended consent decree.

In 2019, MSD proactively approached Federal and state regulators to renegotiate the time to complete the remaining LTCP and SSDP projects required by the amended consent decree to reprioritize capital dollars for rehabilitation of MSD's aging biosolids systems, failing sewer interceptors and flood protection system rehabilitation. MSD, along with KEPPC and EPA, negotiated the second amended consent decree which grants a time extension for completing the remaining LTCP and SSDP projects to 2035. In exchange, MSD agreed to invest a minimum of \$25 million annually for asset management projects through 2035. Additionally, MSD agreed to incorporate \$70 million for critical sewer rehabilitation in its 5-year capital improvement plan. These financial commitments are achievable within the MSD Board's rate increase authority of 6.9% per year. The United States District Court granted final approval of the second amended consent decree on September 14, 2022. The second amended consent decree supersedes and replaced the 2009 amended consent decree and the 2014 IOAP.

Since the start of the consent decree in 2005, MSD has seen a significant reduction in sewer overflows. For a 2-year cloudburst storm, 134 sanitary sewer overflow locations have been eliminated, from 197 modeled locations in 2007, to 65 in 2021, and 63 in 2022. Combined sewer overflow volumes have been reduced by 5.85 billion gallons per typical year, from 6.5 billion gallons in 2001, to 1.1 billion gallons in 2021, and 648 million gallons in 2022. Through June 30, 2023, capital expenditures related to the consent decree totaled approximately \$1.2 billion. MSD estimates total capital expenditures associated with complying with the requirements of the second amended consent decree could range from \$2.0 billion to \$2.2 billion. As with any estimate, the actual costs incurred could differ materially.

Claims and Litigation:

MSD is a defendant in various active lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the MSD's management that resolution of these matters will not have a

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material adverse effect on the financial statements of MSD. All material claims and litigation settlements that are both probable and reasonably measurable are recorded in accounts payable.

Other Commitments:

MSD is committed under various contracts for completion of construction or acquisition of utility plant and equipment. Outstanding contractual commitments related to the capital improvement program as of June 30, 2023, were \$281,231,715. These commitments will be paid for with bond proceeds, commercial paper, grants, and future pay-as-you-go revenues.

On January 1, 2022, MSD entered into an agreement with Louisville Water Company to provide customer billing services through December 31, 2027. The remaining cost of the contract including the portion of the contract treated as a SBITA at June 30, 2023, is \$34,650,126.

NOTE 13 - SUBSEQUENT EVENTS

KIA Loan A23-002:

On July 6, 2023, the KIA approved loan A23-002 for the Bullitt Hills and Hillview wastewater treatment plants and pump station elimination project. The total amount of the loan shall not exceed \$11,200,000. Interest is payable semiannually at a fixed rate of 1.25% per annum commencing after funds are first drawn on the loan. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operation for the project.

KIA Loan A23-007:

On July 31, 2023, the KIA invited MSD to apply for loan A23-007 for the Paddy's Run Flood Pumping Station Capacity Improvements project. The total amount of the loan shall not exceed \$27,783,547.

Rate Increase:

On August 1, 2023, MSD's rates for wastewater and drainage service charges increased by 6.9% for Jefferson County customers. Wastewater volume rates increased 5% for Oldham County customers.

KIA Loan A23-007E:

On August 3, 2023, the KIA approved loan A23-007E for the Paddy's Run Flood Pumping Station Capacity Improvements project. The total amount of the loan is \$1,118,600. This loan is eligible for principal forgiveness.

Commercial Paper Program:

Commercial paper notes of \$419,195,000 are outstanding as of October 31, 2023, in accordance with the respective Revolving Credit Agreements. Interest rates on the notes outstanding range from 3.75% to 3.90% and maturities range from 3 to 85 days. Commercial paper notes of \$200,000,000 were economically defeased by the issuance of the Series 2023C bonds and will be discharged on January 24, 2024. MSD intends to reissue the remaining commercial paper notes at maturity in accordance with the refinancing terms of the Revolving Credit Agreements.

2022 BAN Maturity:

On October 6, 2023, MSD paid off the 2022 BAN with \$7,145,000 of unrestricted cash and \$219,195,000 of commercial paper proceeds. MSD's plan is to amortize the commercial paper notes issued to pay off the BAN over the same period as the amortization of the notional amount of the hedging derivative instruments⁹.

Series 2023C Bonds: On October 12, 2023, MSD sold \$351,975,000 of its tax-exempt sewer and drainage system revenue and refunding bonds, Series 2023C. The proceeds of the Series 2023C bonds will be used: (i) to refund portions of the outstanding Series 2013B and Series 2020C bonds, (ii) to refund \$200,000,000 of outstanding commercial paper notes, (iii) to pay or reimburse the costs of construction and acquisition of

⁹ See Note 9 – Derivative Instruments

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the capital improvement program, (iv) to fund the required increase in the reserve account equal to the debt service reserve requirement, and (v) to pay the costs of issuance of the 2023C bonds. The final maturity of Series 2023C bonds is in 2053. The 2023C bonds closed on October 26, 2023.

NOTE 14 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information about the Pension and OPEB Plan:

All full-time and eligible part-time employees of MSD participate in County Employee Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority (KPPA, the system), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 78.782 and 61.645, the Board of Trustees (the Board) of KPPA 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 accounted for separately; invested according to plan-specific asset allocation goals; and, are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.632, 613571, and 16.555.

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 KPPA also administers the Kentucky Retirement System's 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 KPPA. The assets of the insurance fund are invested as a whole. KPPA and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

KPPA 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 Public Pension Authority, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KPPA website at www.kyret.ky.gov.

Basis of Accounting:

For purposes of measuring the net pension and other post-employment benefits plan (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-nonhazardous. 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 nonhazardous 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.

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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 nonhazardous duty service credit, or at any age with 27 or more years of service credit.

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

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

Age and Service Requirement: Age 65 with 60 months of nonhazardous 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.

<u>Service Credit</u>	<u>Benefit Factor</u>
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 nonhazardous 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% 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%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. 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 prior 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.

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OPEB Benefits Provided:

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

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

Benefit Eligibility: Recipient of a retirement allowance

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

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

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

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

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

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

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

Contributions:

MSD is 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 KPPA Board based on an annual valuation last preceding July 1 of a new biennium. The KPPA Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA Board.

For the fiscal year ended June 30, 2023, participating CERS employers contributed 26.79% (23.40 % allocated to pension and 3.39% allocated to OPEB) of each nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investments earnings.

MSD has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2023. Total contributions recognized by the Plan were \$14,946,028 (\$13,054,761 related to pension and \$1,891,267 related to OPEB). The OPEB contribution amount does not include the implicit subsidy reported in the amount of \$1,303,172.

Members whose participation began before 9/1/2008:

Nonhazardous member 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.

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

Nonhazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KPPA 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:

Nonhazardous member contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KPPA 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 Plan Information:

Total Pension Liability: The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2022. An expected TPL was determined at June 30, 2022 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

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

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

Discount rate assumptions:

- (a) Discount Rate: The discount rate used to measure the total pension liability was 6.25% which did not change from the prior year.
- (b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established by Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.
- (c) Long-Term 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 KPPA 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.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core fixed income	10.00%	0.28%
Specialty credit	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan assets was established by the KPPA 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 (NPL) to changes in the discount rate. The following table presents MSD's allocated portion of the NPL of the System, calculated using the discount rate of 6.25%, as well as what MSD's allocated portion of the NPL would be if it were calculated using a discount rate that is one percentage-point lower (5.25%) or 1 percentage-point higher (7.25%) than the current rate.

<i>(dollars in thousands)</i>	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
MSD's net pension liability	\$ 165,493	\$ 132,407	\$ 105,043

Employer's Portion of the Collective NPL: MSD's proportionate share of the NPL, as indicated in the prior table, is \$132,407,406 or approximately 1.83%, a decrease of 0.12% from fiscal year 2022. The NPL was distributed based on 2022 actual employer contributions to the plan.

Measurement Date: The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

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

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

Pension Expense: MSD was allocated pension expense of (\$1,630,824) related to the CERS for the year ending June 30, 2023.

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

<i>(dollars in thousands)</i>	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 141	\$ 1,179
Changes in proportion and differences between employer contributions and proportionate shares of contributions	3,394	-
Differences between expected and actual investment earning on plan investments	3,512	5,426
	<u>7,047</u>	<u>6,605</u>
Contributions subsequent to the measurement date	13,055	-
	<u>13,055</u>	<u>-</u>
Total	<u>\$ 20,102</u>	<u>\$ 6,605</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$13,054,761 will be recognized as a reduction of NPL in the year ending June 30, 2024. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

<i>(dollars in thousands)</i>	
Year Ending June 30:	
2023	\$ 158
2024	(2,364)
2025	(1,113)
2026	3,761
	<u>\$ 442</u>

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

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

OPEB Information:

Total OPEB Liability: The total other post-employment benefits plan (OPEB) was determined by an actuarial valuation as of June 30, 2022. An expected total OPEB liability was determined at June 30, 2022 using standard roll-forward techniques. The following actuarial assumptions were applied to all periods included in the measurement:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.40 % at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the PUB-2010 General Mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019 (set back 3 years for males).

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

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.70%, which increased from the prior year rate of 5.20%.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation for each future year calculated in accordance with the current funding policy.
- (c) **Long-Term 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 KPPA has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.69% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) **Assumed Asset Allocations:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core fixed income	10.00%	0.28%
Specialty credit	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Total	<u>100.00%</u>	

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

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

The following table presents MSD's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the MSD'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 (4.270%) or 1-percentage-point higher (6.70%) than the current rate for nonhazardous.

<i>(dollars in thousands)</i>	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
MSD's net OPEB liability	\$ 48,320	\$ 36,145	\$ 26,080

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The following table presents the MSD'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 MSD'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 nonhazardous.

<i>(dollars in thousands)</i>	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
MSD's net OPEB liability	\$ 26,873	\$ 36,145	\$ 47,279

Employer's Portion of the Collective OPEB Liability: MSD's proportionate share of the net OPEB liability, as indicated in the prior table, is \$36,145,040 or approximately 1.83%, or a decrease of 0.12% from fiscal year 2022. The net OPEB liability was distributed based on 2022 actual employer contributions to the plan.

Measurement Date: The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

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

- The discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70%.

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

OPEB Expense: MSD was allocated OPEB expense of \$3,762,624 related to the CERS for the year ending June 30, 2022.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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

<i>(dollars in thousands)</i>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 3,638	\$ 8,289
Change of assumptions	5,717	4,710
Changes in proportion and differences between employer contributions and proportionate shares of contributions	1,467	-
Differences between expected and actual investment earning on plan investments	<u>2,380</u>	<u>2,031</u>
	13,202	15,030
Contributions subsequent to the measurement date	<u>3,195</u>	-
Total	<u>\$ 16,397</u>	<u>\$ 15,030</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$3,194,439 which include the implicit subsidy reported of \$1,303,172 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2024. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

<i>(dollars in thousands)</i>	
Year Ending June 30:	
2023	\$ 452
2024	153
2025	(2,170)
2026	<u>(263)</u>
	<u>\$ (1,828)</u>

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

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

Louisville and Jefferson County Metropolitan Sewer District Schedule of Proportionate Share of the Net Pension Liability For the Years Ended June 30, (dollars in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
MSD's proportion of the net pension liability	1.83%	1.95%	1.82%	1.80%	1.72%	1.60%	1.51%	1.60%	1.60%
MSD's proportionate share of the net pension liability	\$132,407	\$124,564	\$139,401	\$126,866	\$104,511	\$93,517	\$74,132	\$68,653	\$51,988
MSD's covered payroll	54,678	52,828	49,808	48,391	45,859	43,084	39,596	37,900	37,100
MSD's proportion of the net pension liability as a percentage of its covered payroll	242.2%	235.8%	279.9%	262.2%	227.9%	217.1%	187.2%	181.1%	140.1%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Notes:

- 1) The amounts presented for each fiscal year were determined as of the prior year end.
- 2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years that information is available.

Changes in Assumptions and Benefit Terms:

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

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

2016: 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%.

2018: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

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

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

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.

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

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

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

Louisville and Jefferson County Metropolitan Sewer District Schedule of Employer Contributions - Pension For the Years Ended June 30, (dollars in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution for pension	\$ 13,055	\$ 11,009	\$ 9,850	\$ 9,133	\$ 7,534	\$ 6,196	\$ 5,279	\$ 4,767	\$ 4,576
Contribution in relation to the statutorily required contribution	(13,055)	(11,009)	(9,850)	(9,133)	(7,534)	(6,196)	(5,279)	(4,767)	(4,576)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MSD contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%	100%	100%
MSD covered payroll	\$ 59,356	\$ 54,678	\$ 52,828	\$ 49,808	\$ 48,391	\$45,859	\$43,084	\$39,596	\$37,900
Contributions as a percentage of MSD's covered payroll	21.99%	20.13%	18.65%	18.34%	15.57%	13.51%	12.25%	12.04%	12.07%

Notes:

- 1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years that information is available.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

Louisville and Jefferson County Metropolitan Sewer District Schedule of Proportionate Share of the Net OPEB Liability For the Years Ended June 30, (dollars in thousands)						
	2023	2022	2021	2020	2019	2018
MSD's proportion of the net OPEB liability	1.83%	1.95%	1.82%	1.80%	1.72%	1.60%
MSD's proportionate share of the net OPEB liability	\$36,145	\$37,395	\$ 43,904	\$30,343	\$30,470	\$32,119
MSD's covered payroll	54,678	52,828	49,808	48,391	45,859	43,084
MSD's proportion of the net OPEB liability as a percentage of its covered payroll	66.11%	70.79%	88.15%	62.70%	66.44%	74.55%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%

Notes:

- 1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years that information is available.

Changes in Assumptions and Benefit Terms:

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 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 4.0% to 3.05%.

2018: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 was determined using these updated benefit provisions.

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 a range of 3.30% - 10.30%.
- The Mortality Table was changed from RP-2000 to PUB-2010.

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.

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

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

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

2022: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70%.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

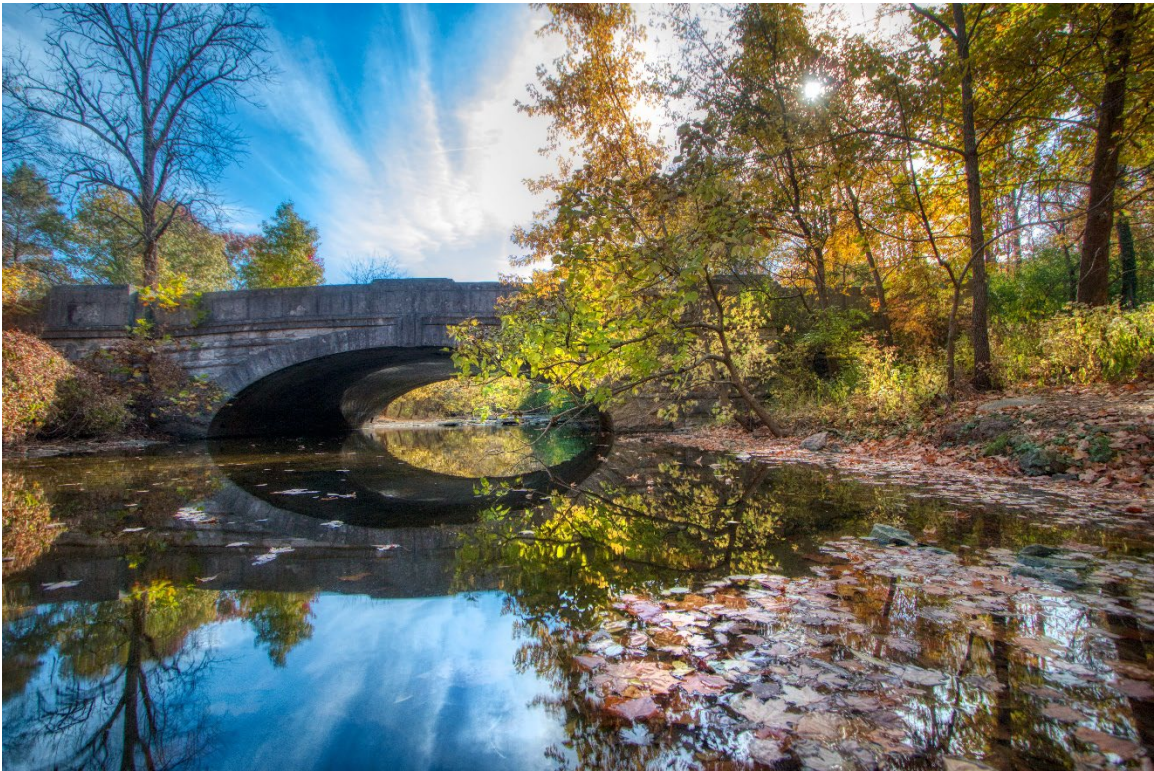
Louisville and Jefferson County Metropolitan Sewer District Schedule of Employer Contributions - OPEB For the Years Ended June 30, (dollars in thousands)						
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,891	\$ 3,006	\$ 2,429	\$ 2,252	\$ 2,443	\$ 2,011
Contributions in relation to the statutorily required contribution	<u>(1,891)</u>	<u>(3,006)</u>	<u>(2,429)</u>	<u>(2,252)</u>	<u>(2,443)</u>	<u>(2,011)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MSD contributions as a percentage of statutorily required contribution for OPEB	100%	100%	100%	100%	100%	100%
MSD covered payroll	\$59,356	\$54,678	\$52,828	\$49,808	\$48,391	\$45,859
Contributions as a percentage of MSD's covered payroll	3.19%	5.50%	4.60%	4.52%	5.05%	4.39%

Notes:

- 1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years that information is available.



**STATISTICAL SECTION
(Unaudited)**



Louisville's Cherokee Park

STATISTICAL SECTION

This section of MSD's Annual Comprehensive Financial Report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing MSD's overall financial health.

Financial Trends..... 74

These schedules contain trend information to help readers understand how MSD's financial performance and position have changed over time. The information presented includes changes in net assets, an analysis of revenues and expenses and comparative statements of cash flows.

Revenue Capacity 78

These schedules contain trend information to help readers assess how MSD's revenues have changed over time. The information presented includes changes in operating revenues, changes in rates and top 10 customers by county.

Debt Capacity..... 82

These schedules present information showing trends in MSD's debt service coverage and levels of outstanding debt.

Operating Information..... 84

These schedules contain information to help readers understand MSD's system. The information presented includes a schedule of assets, service and administrative costs, 2023 budget to actual results, miscellaneous operating indicators, and MSD's current wastewater treatment plant capacity.

Demographic and Economic Information 89

These schedules provide information on the largest employers in the Louisville area and other local demographic information.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENT OF NET POSITION
ASSETS AND DEFERRED OUTFLOW OF RESOURCES
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Current assets:										
Unrestricted cash and cash equivalents	\$ 66,305	\$ 48,875	\$ 79,281	\$ 99,973	\$ 43,728	\$ 50,276	\$ 42,449	\$ 69,481	\$ 63,013	\$ 84,780
Unrestricted investments	69,417	69,754	28,124	100	36,744	25,080	10,095	100	100	100
Restricted cash and cash equivalents	22,414	20,788	21,181	17,776	22,348	29,987	19,454	5,379	16,342	39,507
Restricted investments	-	12,947	-	-	30,172	-	22,675	14,999	-	-
Accounts receivable	28,963	26,242	24,664	27,227	27,915	26,332	23,480	26,696	23,787	21,809
Inventories	5,811	5,262	5,086	4,977	4,623	4,407	4,184	4,210	3,981	3,808
Prepaid expenses and other current assets	826	3,290	6,386	4,147	3,918	3,845	2,877	3,184	2,880	2,636
Total current assets	193,736	187,158	164,722	154,200	169,448	139,927	125,214	124,049	110,103	152,640
Noncurrent assets:										
Unrestricted noncurrent assets	5,271	7,138	10,478	12,776	13,730	1,399	37,642	29,235	18,615	-
Restricted noncurrent assets	77,898	80,331	82,930	79,555	76,678	151,039	86,550	120,212	120,165	121,216
Plant, lines and other facilities:										
Utility plant in service	4,625,654	4,291,770	3,849,047	3,697,720	3,580,741	3,047,458	2,943,414	2,812,333	2,455,476	2,451,961
Less: accumulated depreciation	(1,507,858)	(1,418,965)	(1,305,547)	(1,221,668)	(1,208,329)	(1,109,966)	(1,046,707)	(979,405)	(925,901)	(871,412)
Net capital assets in service	3,117,796	2,872,805	2,543,500	2,476,052	2,372,412	1,937,492	1,896,707	2,085,588	1,769,285	1,580,549
Construction in progress	309,372	420,200	625,113	538,013	460,501	711,655	581,222	487,674	623,181	463,167
Subscription assets, net of amortization	6,093	-	-	-	-	-	-	-	-	-
Net capital assets	3,433,261	3,293,005	3,168,613	3,014,065	2,832,913	2,649,147	2,477,929	2,573,262	2,392,466	2,043,716
Other noncurrent assets	297,999	302,370	306,176	305,715	303,660	309,056	296,876	281,975	270,517	260,287
Total noncurrent assets	3,814,429	3,682,844	3,568,197	3,412,111	3,226,981	3,110,641	2,898,997	3,004,684	2,801,763	2,425,219
Total assets	4,008,165	3,870,002	3,732,919	3,566,311	3,396,429	3,250,568	3,024,211	3,128,733	2,911,866	2,577,859
Deferred outflow of resources	59,456	72,110	80,984	79,767	52,018	54,267	35,911	23,708	20,407	22,862
Total assets and deferred outflows	\$ 4,067,621	\$ 3,942,112	\$ 3,813,903	\$ 3,646,078	\$ 3,448,447	\$ 3,304,835	\$ 3,060,122	\$ 2,899,781	\$ 2,692,563	\$ 2,600,721

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENT OF NET POSITION
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Liabilities:										
Current liabilities (payable from current assets):										
Accounts payable and accrued expenses	\$ 17,940	\$ 20,395	\$ 29,099	\$ 24,176	\$ 18,168	\$ 16,342	\$ 16,550	\$ 17,420	\$ 14,936	\$ 13,653
Total current liabilities (payable from current assets)	17,940	20,395	29,099	24,176	18,168	16,342	16,550	17,420	14,936	13,653
Current liabilities (payable from restricted assets):										
Accounts payable and accrued expenses	38,706	30,464	46,237	39,860	31,945	47,472	30,764	33,271	30,607	14,712
Accrued interest	17,895	16,622	20,093	17,315	17,819	18,455	15,935	17,533	13,036	12,834
Revenue bonds payable	52,375	52,880	47,565	43,460	42,200	40,190	33,655	31,825	29,415	28,525
Bank notes	-	-	-	100	100	-	-	-	-	-
Bond anticipation note	14,145	-	-	-	-	-	-	-	-	-
Other subordinate debt	3,095	2,038	1,817	2,167	545	105	-	-	-	-
Refundable deposits	2,142	1,920	2,757	2,954	2,928	2,861	2,300	2,557	1,639	1,568
Total current liabilities (payable from restricted assets)	128,358	103,924	118,469	105,856	95,537	109,083	82,654	85,186	74,697	57,639
Noncurrent liabilities:										
Revenue bonds payable	2,151,935	2,228,405	2,057,555	1,868,455	1,914,340	1,956,540	1,831,605	1,722,745	1,583,390	1,549,700
Unamortized debt premium/discount	98,019	88,050	74,817	74,458	80,421	90,628	74,328	67,462	60,797	60,263
Bond anticipation note	212,195	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340
Commercial paper notes	165,000	50,000	150,000	255,000	120,000	-	-	-	-	-
Other subordinated debt	48,296	50,604	44,304	28,284	2,113	1,766	1,973	2,072	2,168	2,261
Investment derivative asset liability	27,247	40,914	63,431	72,228	73,040	59,443	-	-	-	-
At-market derivative asset liability	-	-	8,541	20,822	-	-	-	-	-	-
Net Pension liability and Net OPEB liability	168,552	161,959	183,305	157,209	134,981	125,636	74,132	68,653	51,988	58,825
Subscription Asset Liability	4,952	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-	-	690	944	761
Total long-term debt	2,876,196	2,846,272	2,808,293	2,702,796	2,551,235	2,460,353	2,208,378	2,087,962	1,925,627	1,898,150
Total liabilities	3,022,494	2,970,591	2,955,861	2,832,828	2,664,940	2,585,778	2,307,582	2,190,568	2,015,260	1,969,442
Deferred inflow of resources	40,848	48,489	10,277	16,520	12,955	10,383	84,052	108,633	92,233	82,293
Net position:										
Net investment in capital assets	955,494	850,316	762,848	684,412	672,304	528,377	562,784	501,675	506,187	418,784
Restricted	82,418	84,607	84,429	80,421	81,207	156,425	150,386	84,639	80,424	148,451
Unrestricted	(33,633)	(11,891)	488	31,897	17,041	23,872	(44,682)	14,266	(1,541)	(18,249)
Total net position	1,004,279	923,032	847,765	796,730	770,552	708,674	668,488	600,580	585,070	548,986
Total liabilities, deferred inflows and net position	\$ 4,067,621	\$ 3,942,112	\$ 3,813,903	\$ 3,646,078	\$ 3,448,447	\$ 3,304,835	\$ 3,060,122	\$ 2,899,781	\$ 2,692,563	\$ 2,600,721

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenue:										
Wastewater service charges	\$ 290,697	\$ 270,066	\$ 245,802	\$ 237,807	\$ 219,467	\$ 210,636	\$ 194,965	\$ 183,592	\$ 173,895	\$ 165,599
Drainage service charges	94,466	86,804	79,915	75,052	69,706	63,868	58,978	54,888	51,567	48,457
Other operating income	6,863	8,497	3,701	6,198	5,195	4,645	5,691	4,810	4,407	2,576
Total operating revenue	392,026	365,367	329,418	319,057	294,368	279,149	259,634	243,290	229,869	216,632
Operating expenses:										
Service and administrative costs	167,924	169,869	170,073	167,771	154,325	142,711	122,098	121,674	106,174	108,814
Capitalization/recovery of cost	(41,151)	(42,166)	(41,785)	(39,643)	(38,383)	(38,147)	(31,949)	(30,516)	(30,056)	(33,568)
Capitalized overhead (over) under applied	-	-	-	-	-	88	-	-	-	-
Depreciation and amortization	114,562	103,964	97,874	98,872	87,882	77,954	77,156	62,820	63,321	63,516
Total operating expenses	241,335	231,667	226,162	227,000	203,824	182,606	167,305	153,978	139,439	138,762
Income (loss) from operations	150,691	133,700	103,256	92,057	90,544	96,543	92,329	89,312	90,430	77,870
Non-operating revenue (expense):										
Gain/loss disposal of assets	(14,320)	124	(21)	(15,008)	15	-	-	-	-	-
Investment income	7,253	(1,467)	1,777	5,275	8,338	6,280	4,047	7,559	7,527	10,234
Build America bond refund	11,350	10,344	10,398	10,325	10,339	10,249	10,226	10,332	10,096	10,096
Interest expense - bonds	(91,736)	(86,792)	(93,067)	(92,274)	(94,831)	(95,041)	(90,117)	(86,818)	(83,404)	(80,613)
Interest expense - swaps	(3,988)	(9,502)	(9,793)	(8,027)	(6,468)	(7,724)	(8,926)	(9,514)	(9,737)	(9,733)
Interest expense - other	(15,337)	(12,873)	(13,104)	(13,129)	(13,497)	(9,873)	(9,317)	(8,601)	(4,611)	(4,629)
Amortization of debt discount/premium	13,189	17,172	17,429	12,688	14,344	15,198	13,701	12,052	7,887	7,296
Amortization of loss on refunding	(3,631)	(3,768)	(3,107)	(2,404)	(2,817)	(3,147)	(3,070)	(1,949)	(1,980)	(2,552)
Capitalized interest	6,961	7,464	12,049	13,043	18,582	21,859	20,074	21,051	20,511	19,103
Change in fair values - swaps	7,614	11,293	8,796	812	(13,597)	16,317	26,072	(22,951)	(5,240)	(1,222)
Total non-operating revenue (expenses), net	(82,645)	(68,005)	(68,643)	(88,699)	(79,592)	(45,882)	(37,310)	(78,839)	(58,951)	(52,020)
Net income / (loss) before contributions	68,046	65,695	34,613	3,358	10,952	50,661	55,019	10,473	31,479	25,850
Contributions										
Property owner assessments	-	-	-	-	-	-	2,376	-	-	-
All other	13,201	9,572	16,422	9,085	50,926	12,726	10,513	5,037	4,605	8,103
Increase (decrease) in net position	81,247	75,267	51,035	12,443	61,878	63,387	67,908	15,510	36,084	33,953
Net position, beginning of year	923,032	847,765	796,730	770,552	708,674	668,488	600,580	585,070	548,986	566,914
Net position, OCEA merger	-	-	-	13,735	-	-	-	-	-	-
Restatement for GASB 68 implementation	-	-	-	-	-	-	-	-	-	(51,881)
Restatement for GASB 75 implementation	-	-	-	-	-	(23,201)	-	-	-	-
Net Position, beginning of year, as restated	923,032	847,765	796,730	784,287	708,674	645,287	600,580	585,070	548,986	515,033
Net position, end of year	\$ 1,004,279	\$ 923,032	\$ 847,765	\$ 796,730	\$ 770,552	\$ 708,674	\$ 668,488	\$ 600,580	\$ 585,070	\$ 548,986

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Cash flows from operating activities:										
Cash received from customers	\$ 389,490	\$ 362,992	\$ 331,767	\$ 319,701	\$ 292,791	\$ 276,711	\$ 262,055	\$ 240,202	\$ 227,976	\$ 213,215
Cash paid to suppliers and employees	(166,086)	(166,818)	(107,122)	(105,649)	(103,173)	(95,150)	(88,300)	(85,202)	(75,258)	(73,175)
Net cash provided by operating activities	223,404	196,174	224,645	214,052	189,618	181,561	173,755	155,000	152,718	140,040
Cash flows from capital and related financing activities:										
Proceeds from issuance of revenue bonds	-	248,821	233,133	-	-	175,000	150,000	175,000	80,000	100,000
Proceeds from issuance of bond anticipation note	229,468	232,924	237,295	230,079	230,334	226,340	226,340	226,340	226,340	226,340
Proceeds from issuance of commercial paper	595,000	375,000	365,000	770,000	319,112	-	-	-	-	-
Proceeds from issuance of notes	-	-	-	90,200	100	-	-	-	-	-
Proceeds from issuance of other subordinate debt	1,282	7,824	17,788	-	-	-	-	-	-	-
Premium from sale of bonds	-	-	-	-	-	21,894	15,715	16,887	-	-
Payments for retirement of revenue bonds	(57,455)	(55,497)	(48,033)	(43,120)	(40,190)	-	-	-	-	-
Payments for retirement of bond anticipation note	(226,340)	(226,340)	(226,340)	(226,340)	(226,340)	-	-	-	-	-
Payments for retirement of commercial paper	(480,000)	(475,000)	(470,000)	(635,000)	(200,000)	-	-	-	-	-
Payments for retirement of notes	-	-	(100)	(90,200)	-	-	-	-	-	-
Payments for retirement of other subordinate debt	(2,533)	(1,926)	(2,119)	(2,120)	(317)	-	-	-	-	-
Principal paid on debt	-	-	-	-	-	(263,395)	(271,064)	(255,291)	(271,853)	(253,465)
Payments for interest expense	(105,800)	(103,136)	(103,393)	(106,312)	(108,511)	(102,394)	(103,919)	(92,246)	-	-
Payments for interest on swaps	(3,988)	(9,502)	(9,793)	(7,622)	(6,468)	(7,724)	(8,926)	(9,514)	(9,737)	(9,733)
Build America bond refund	11,350	10,344	10,398	10,325	10,339	10,248	10,226	10,332	10,096	10,096
Proceeds from capital grants	1,436	2,610	1,914	1,786	9,373	7,183	6,386	91	-	-
Proceeds from sale of capital assets	-	124	-	-	15	3	10	614	-	-
Payments for capital assets	(190,945)	(182,495)	(219,909)	(224,418)	(233,360)	(216,503)	(220,892)	(213,996)	-	-
Proceeds from assessments	1,956	3,378	2,465	1,169	780	1,621	1,254	2,329	-	-
Assessments extended	-	-	-	-	-	-	(2,376)	-	-	-
Capital contributed by governments, property owners & developers	-	-	-	-	-	-	-	-	4,605	8,103
Assessments receivable	-	-	-	-	-	-	-	-	2,050	1,695
Interest income - assessments	-	-	-	-	-	-	-	-	340	687
Interest paid on revenue bonds	-	-	-	-	-	-	-	-	(87,813)	(91,719)
Acquisition and construction of capital assets	-	-	-	-	-	-	-	-	(147,842)	(121,237)
Acquisition of non-operating property	-	-	-	-	-	-	-	-	(247)	(211)
Net cash provided (used) by capital and related financing activities	(226,569)	(172,871)	(211,694)	(231,573)	(245,133)	(147,727)	(197,246)	(139,454)	(194,061)	(129,444)
Cash flows from investing activities:										
Change in investments	17,574	(55,638)	(55,205)	86,661	34,428	(56,798)	15,990	(15,047)	1,052	(30,642)
Investment income	5,523	2,203	1,423	6,864	6,238	5,081	2,951	5,626	13,974	15,708
Net cash provided (used) by investing activities	23,097	(53,435)	(53,782)	93,525	40,666	(51,717)	18,941	(9,421)	15,026	(14,934)
Net increase (decrease) in cash and cash equivalents	19,932	(30,132)	(40,831)	76,004	(14,849)	(17,883)	(4,550)	6,125	(26,317)	(4,338)
Cash and cash equivalents, beginning of year	71,854	101,986	142,817	66,813	81,662	99,545	104,095	97,970	124,287	128,625
Cash and cash equivalents, end of year	\$ 91,786	\$ 71,854	\$ 101,986	\$ 142,817	\$ 66,813	\$ 81,662	\$ 99,545	\$ 104,095	\$ 97,970	\$ 124,287

Presentation and classification of items in the Cash flows from capital and related financing activities section was changed to provide better clarity beginning with the 2017 ACFR. Prior years were not reclassified and are shown as originally presented.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE SUMMARIES OF OPERATING REVENUE
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service charges:										
Wastewater service charges:										
Residential	\$ 167,136	\$ 156,764	\$ 148,091	\$ 140,125	\$ 122,830	\$ 116,458	\$ 108,809	\$ 101,405	\$ 96,563	\$ 89,691
Commercial	94,538	86,009	74,459	74,134	71,054	66,651	61,860	58,343	62,257	58,812
Industrial	24,938	23,558	23,080	21,758	23,171	24,439	21,218	19,878	17,605	19,738
Other - net	9,156	7,840	2,588	5,997	6,803	7,517	6,853	8,186	2,806	2,611
Free wastewater to Metro Government	(5,071)	(4,105)	(2,416)	(4,207)	(4,391)	(4,429)	(3,775)	(4,220)	(5,336)	(5,253)
Total wastewater service charges	290,697	270,066	245,802	237,807	219,467	210,636	194,965	183,592	173,895	165,599
Drainage service charges:										
Residential	34,340	31,497	29,413	27,684	25,716	23,811	22,111	20,439	20,090	18,522
Commercial	52,462	48,525	45,220	41,960	38,775	35,778	35,372	32,971	28,936	27,910
Industrial	6,277	5,671	5,239	4,815	4,373	3,864	3,445	3,219	3,030	3,112
Other - net	4,274	3,802	2,576	2,999	2,834	2,533	-	-	-	-
Free drainage to Metro Government	(2,887)	(2,691)	(2,533)	(2,406)	(1,992)	(2,118)	(1,950)	(1,741)	(489)	(1,087)
Total stormwater service charges	94,466	86,804	79,915	75,052	69,706	63,868	58,978	54,888	51,567	48,457
Total service charges	385,163	356,870	325,717	312,859	289,173	274,504	253,943	238,480	225,462	214,056
Other operating income:										
Capacity charges	3,204	5,072	2,309	4,151	3,552	3,132	3,318	2,087	2,667	1,620
Connection fees	-	151	135	363	14	76	(723)	1,118	379	133
Inflow & infiltration fees	1,092	1,610	628	1,155	1,162	-	-	-	-	-
Regional facilities fees	-	-	-	-	-	-	-	16	34	-
Reserve capacity charges	-	-	-	-	-	-	-	-	-	-
Wastewater miscellaneous	2,567	1,664	629	529	467	1,437	3,096	1,589	1,327	823
Drainage miscellaneous	-	-	-	-	-	-	-	-	-	-
Total other operating income	6,863	8,497	3,701	6,198	5,195	4,645	5,691	4,810	4,407	2,576
Total operating revenue	\$ 392,026	\$ 365,367	\$ 329,418	\$ 319,057	\$ 294,368	\$ 279,149	\$ 259,634	\$ 243,290	\$ 229,869	\$ 216,632

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
AVERAGE RESIDENTIAL WATER AND DRAINAGE CHARGES
YEARS ENDED JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Jefferson County:										
Wastewater service charges:										
Service charge	\$ 19.85	\$ 18.90	\$ 17.68	\$ 16.83	\$ 15.75	\$ 14.73	\$ 13.78	\$ 12.89	\$ 12.22	\$ 11.59
Volume charge ¹	21.67	20.64	19.32	18.40	17.20	16.08	15.04	14.08	13.36	12.68
Consent decree charge	16.22	15.45	14.45	13.76	12.87	12.04	11.26	10.53	9.98	9.46
Total wastewater service charges	57.74	54.99	51.45	48.99	45.82	42.85	40.08	37.50	35.56	33.73
Drainage service charges:										
Residential	12.47	11.88	11.11	10.58	9.90	9.26	8.66	8.10	7.68	7.28
Total drainage service charges	12.47	11.88	11.11	10.58	9.90	9.26	8.66	8.10	7.68	7.28
Total MSD bill	\$ 70.21	\$ 66.87	\$ 62.56	\$ 59.57	\$ 55.72	\$ 52.11	\$ 48.74	\$ 45.60	\$ 43.24	\$ 41.01
Bill as a % of MHI	1.39%	1.32%	1.24%	1.15%	1.13%	1.12%	1.06%	1.05%	1.01%	1.02%
Oldham County:										
Wastewater service charges:										
Service charge	\$ 47.92	\$ 47.92	\$ 47.92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume charge ¹	31.20	31.20	31.20	-	-	-	-	-	-	-
Total MSD bill	\$ 79.12	\$ 79.12	\$ 79.12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bill as a % of MHI	0.87%	0.87%	0.87%							
Bullitt County (former BCSD):										
Wastewater service charges:										
Service charge	\$ 39.85	\$ 35.58	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume charge ¹	23.18	20.70	-	-	-	-	-	-	-	-
Total MSD bill	\$ 63.03	\$ 56.28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bill as a % of MHI	1.10%	0.98%								
Bullitt County (former Hunter's Hollow & Big Valley):										
Wastewater service charges:										
Service charge	\$ 31.66	\$ 26.83	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume charge ¹	11.60	8.00	-	-	-	-	-	-	-	-
Total MSD bill	\$ 43.26	\$ 34.83	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bill as a % of MHI	0.76%	0.61%								

¹Average residential volume charge is based on 4,000 gallons/month of water use.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
JEFFERSON COUNTY TOP 10 WASTEWATER AND DRAINAGE CUSTOMERS**

Rank	Customer Name	FY 23 Wastewater Billed	Percent Total Wastewater Revenue
1	Heaven Hill Distilleries	\$ 5,035,257	1.73%
2	Lubrizol Advanced Material	2,271,808	0.78%
3	The Chemours Company FC LLC	1,967,224	0.68%
4	Early Times Distillery	1,726,439	0.59%
5	Ford Motor Co.	1,384,127	0.48%
6	Swift Pork Co.	1,152,153	0.40%
7	Haier US Appliance Solutions	103,889	0.04%
8	Rohm & Haas	970,892	0.33%
9	Ford Motor Co.	736,132	0.25%
10	Louisville Metro Housing Authority	672,893	0.23%
Total		16,020,814	5.51%
Total FY 23 Wastewater Revenue:		\$ 290,696,742	

Rank	Customer Name	FY 22 Wastewater Billed	Percent Total Wastewater Revenue
1	Heaven Hill Distilleries	\$ 4,219,789	1.45%
2	Lubrizol Advanced Material	2,751,255	0.95%
3	The Chemours Company FC LLC	1,723,158	0.59%
4	Swift Pork Co.	1,461,306	0.50%
5	Clariant Corporation	1,437,880	0.49%
6	Early Times Distillery	1,420,078	0.49%
7	Ford Motor Co.	1,193,083	0.41%
8	Haier US Appliance Solutions	955,585	0.33%
9	Rohm & Haas	783,570	0.27%
10	Ford Motor Co.	744,470	0.26%
Total		16,690,174	5.74%
Total FY 22 Wastewater Revenue:		\$ 270,066,040	

Rank	Customer Name	FY 23 Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$ 1,884,745	2.00%
2	United Parcel Service	1,538,822	1.63%
3	Jeff Co Bd Of Ed	976,873	1.03%
4	Ford Motor Co.	484,892	0.51%
5	Regional Airport Authority	382,363	0.40%
6	LIT Industrial Limited Partner	371,196	0.39%
7	Kentucky State Fair	339,704	0.36%
8	Churchill Downs Inc	314,703	0.33%
9	The University of Louisville Campus	301,156	0.32%
10	Seaboard System RR-00822	290,570	0.31%
Total		6,885,024	7.29%
Total FY 23 Drainage Revenue:		\$ 94,465,996	

Rank	Customer Name	FY 22 Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$ 1,645,863	1.74%
2	United Parcel Service	1,456,321	1.54%
3	Jeff Co Bd Of Ed	865,812	0.92%
4	Ford Motor Co.	456,942	0.48%
5	LIT Industrial Limited Partner	346,273	0.37%
6	Kentucky State Fair	321,966	0.34%
7	Regional Airport Authority	320,679	0.34%
8	The University of Louisville Campus	308,517	0.33%
9	Churchill Downs Inc	298,224	0.32%
10	Seaboard System RR-00822	273,149	0.29%
Total		6,293,746	6.66%
Total FY 22 Drainage Revenue:		\$ 86,804,258	

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
REGIONAL SYSTEM TOP 10 WASTEWATER CUSTOMERS**

MSD Oldham County Service Area - Fiscal Year 2023

Rank	Customer Name	FY 23 Wastewater Billed	Percent Total County Revenue
1	Oldham Co Board of Education	\$ 104,289	1.48%
2	Prospect Glen Villas Condo	71,510	1.02%
3	Ridgeway Property Mgmt LLC	58,318	0.83%
4	Oldham Co Board of Education	24,500	0.35%
5	Gardens of Hunters Ridge HOA	23,179	0.33%
6	Oldham Co Board of Education	21,847	0.31%
7	KYTC D5 Office	15,473	0.22%
8	Harmony Landing Club	9,786	0.14%
9	Hillcrest Community Assoc. INC	9,715	0.14%
10	Hunters Ridge	7,650	0.11%
Total		346,267	4.92%
Total FY 23 Oldham County Revenue:		\$ 7,043,419	

MSD Bullitt County Service Area - Fiscal Year 2023

Rank	Customer Name	FY 23 Wastewater Billed	Percent Total County Revenue
1	Sabert Corporation	\$ 516,715	11.68%
2	Noltemeyer Capital LLLP	349,801	7.91%
3	Jewish Hospital	292,423	6.61%
4	AMHC	161,241	3.64%
5	PC Tanyard Park LLC	108,286	2.45%
6	Prologisna2 KY V GP	100,371	2.27%
7	True by Hilton, LLC	65,761	1.49%
8	Hrs Brooks INC.	63,954	1.45%
9	Linda's Place LLLP	55,490	1.25%
10	Prologis Development Serv LLC	47,840	1.08%
Total		1,761,882	39.83%
Total FY 23 Bullitt County Revenue:		\$ 4,423,801	

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE SCHEDULE OF DEBT SERVICE COVERAGE
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Service charges	\$ 385,163	\$ 356,870	\$ 325,717	\$ 312,859	\$ 289,173	\$ 274,504	\$ 253,943	\$ 238,480	\$ 225,462	\$ 214,056
Other operating income	6,863	8,497	3,701	6,198	5,195	4,645	5,691	4,810	4,407	2,576
Assessments	429	583	799	909	1,258	1,232	1,375	9,457	1,901	2,129
Investment income	18,603	8,877	12,175	15,600	18,692	16,531	14,273	17,278	17,623	20,330
Less: capitalized investment income	-	-	-	-	-	-	-	-	-	-
Total revenues	411,058	374,827	342,392	335,566	314,318	296,912	275,282	270,025	249,393	239,091
Operating expenses:										
Service and administrative costs ¹	165,792	161,144	151,527	149,945	142,082	131,948	119,586	117,671	106,301	108,814
Less: capitalized overhead	(41,151)	(42,166)	(41,785)	(39,643)	(38,383)	(38,148)	(31,949)	(30,516)	(30,056)	(33,568)
Capitalization Rate	25%	26%	28%	26%	27%	29%	27%	26%	28%	31%
Total operating expenses	124,641	118,978	109,742	110,302	103,699	93,800	87,637	87,155	76,245	75,246
Net revenues	286,417	255,849	232,650	225,264	210,619	203,112	187,645	182,870	173,148	163,845
Aggregate debt service:										
Current maturities of long-term debt	52,838	51,597	43,802	40,637	40,358	33,906	33,655	31,825	29,415	28,525
Interest expense - senior lien	91,736	86,792	93,067	92,274	94,831	95,041	90,117	86,818	83,404	80,613
Less: capitalized interest expense	(6,961)	(7,464)	(12,050)	(13,043)	(18,582)	(21,859)	(20,074)	(21,051)	(20,511)	(19,103)
Aggregate net debt service	\$ 137,613	\$ 130,925	\$ 124,819	\$ 119,868	\$ 116,607	\$ 107,088	\$ 103,698	\$ 97,592	\$ 92,308	\$ 90,035
Debt service coverage ratio²	208%	195%	186%	188%	181%	190%	181%	187%	188%	182%

¹Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.

²Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.

This table has been prepared using the definitions of revenue, expense and debt service contained in MSD's 1993 Sewer & Drainage System Revenue Bond Resolution.

The 1993 Resolution and its supplements require MSD to provide "Available Revenues", as defined in the Resolution, sufficient to pay 110% of each fiscal year's "Aggregate Net Debt Service" on Revenue Bonds and 100% of "Operating Expenses". "Available Revenues", as used only for purposes of the Resolution, means all revenues and other amounts received by MSD and pledged as security for payment of Bonds issued pursuant to the Resolution, but excludes any interest income which is capitalized in accordance with generally accepted accounting principles. "Operating Expenses" includes all reasonable, ordinary, usual or necessary current expenses of maintenance, repair and operation determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. "Operating Expenses" does not include reserves for extraordinary maintenance and repair, nor does it include administrative and engineering expenses of MSD which are necessary or incidental to capital improvements for which debt has been issued and which may be paid from the proceeds of such debt. "Aggregate Net Debt Service" is aggregate current principal and interest requirements on all Bonds issued pursuant to the Resolution, excluding (i) interest expense, which in accordance with generally accepted accounting principles, is capitalized and which may be paid from the proceeds of debt, and (ii) other amounts, if any, available, or expected to become available in the ordinary course for payment of principal and interest, and not included in "Available Revenues".

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE SCHEDULE OF OUTSTANDING DEBT
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS (except per capita)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Senior debt:										
Series 2005A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,820
Series 2006A	-	-	-	-	-	-	-	-	87,290	89,325
Series 2007A	-	-	-	-	-	-	42,965	44,425	45,815	48,080
Series 2008A	-	-	-	-	-	-	65,520	97,860	99,850	100,860
Series 2009A	-	-	-	-	-	6,640	13,040	41,485	47,280	52,720
Series 2009B	-	-	-	-	35,155	-	52,975	69,725	136,115	150,900
Series 2009C	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Series 2010A	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000
Series 2011A	-	-	243,910	246,225	248,440	250,565	252,610	254,590	256,490	258,330
Series 2013A	-	115,790	117,480	115,790	115,790	115,790	115,790	115,790	115,790	115,790
Series 2013B	107,515	109,280	109,280	112,575	114,100	115,550	116,940	118,255	119,515	119,515
Series 2013C	-	125	250	99,250	99,375	99,500	99,625	99,750	99,875	100,000
Series 2014A	79,600	79,650	79,700	79,750	79,800	79,850	79,900	79,950	80,000	-
Series 2015A	170,845	171,395	172,175	173,160	173,360	173,735	174,280	175,000	-	-
Series 2015B	62,995	65,975	68,815	71,515	74,160	76,685	79,085	81,350	-	-
Series 2016A	146,540	147,500	148,415	149,290	149,530	149,760	150,000	-	-	-
Series 2016B	17,830	19,910	21,960	23,915	25,825	28,095	28,095	-	-	-
Series 2016C	-	12,995	32,305	50,515	67,685	73,415	67,685	-	-	-
Series 2017A	143,280	149,390	155,790	161,895	169,270	169,270	-	-	-	-
Series 2017B	30,245	31,210	32,055	32,885	33,670	34,520	-	-	-	-
Series 2018A	60,380	60,380	60,380	60,380	60,380	60,380	-	-	-	-
Series 2019A	-	8,845	17,065	24,770	-	-	-	-	-	-
Series 2020A	223,000	224,000	224,750	-	-	-	-	-	-	-
Series 2020C	108,415	109,605	110,790	-	-	-	-	-	-	-
Series 2021A	227,720	240,485	-	-	-	-	-	-	-	-
Series 2022A	224,250	224,750	-	-	-	-	-	-	-	-
Series 2023A	49,745	-	-	-	-	-	-	-	-	-
Series 2023B	41,950	-	-	-	-	-	-	-	-	-
Total senior debt	2,204,310	2,281,285	2,105,120	1,911,915	1,956,540	1,996,730	1,865,260	1,754,570	1,612,805	1,578,225
Subordinate debt:										
Bond anticipation note	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340
Commercial paper	165,000	50,000	150,000	255,000	120,000	-	-	-	-	-
Notes payable	-	-	-	100	100	-	-	-	-	-
Series 2009 general obligation bonds	-	400	785	1,155	-	-	-	-	-	-
Series 2014 general obligation bonds	6,565	7,010	7,445	7,865	-	-	-	-	-	-
Series 2017 general obligation bonds	3,329	3,364	3,399	3,433	-	-	-	-	-	-
Financing lease	1,700	1,870	2,030	2,180	-	-	-	-	-	-
Loan A09-41	1,315	1,433	1,548	1,659	1,767	1,871	1,973	2,072	2,168	2,261
Loan A10-04	1,563	1,702	1,840	1,974	-	-	-	-	-	-
Loan A10-05	574	622	670	715	-	-	-	-	-	-
Loan A10-06	64	70	76	81	-	-	-	-	-	-
Loan A10-07	1,457	1,581	1,703	1,821	-	-	-	-	-	-
Loan A11-15	369	402	434	466	-	-	-	-	-	-
Loan A12-29	4,630	4,932	5,228	5,520	-	-	-	-	-	-
Loan A17-028	2,084	2,084	2,084	2,013	-	-	-	-	-	-
Loan A18-010	996	1,045	1,092	1,116	-	-	-	-	-	-
Loan A98-04	-	-	-	454	891	-	-	-	-	-
Loan A19-015	2,528	2,640	-	-	-	-	-	-	-	-
Loan A19-028	23,705	22,918	17,788	-	-	-	-	-	-	-
Loan B10-01	210	236	-	-	-	-	-	-	-	-
Loan B10-04	236	262	-	-	-	-	-	-	-	-
Loan B15-006	66	70	-	-	-	-	-	-	-	-
Total subordinate debt	442,731	328,982	422,461	511,891	349,098	228,211	228,313	228,412	228,508	228,601
Total senior and subordinate debt	2,647,041	2,610,267	2,527,581	2,423,806	2,305,638	2,224,941	2,093,573	1,982,982	1,841,313	1,806,826
Unamortized bond premiums	(1,004)	(1,052)	(1,101)	(868)	(916)	(963)	(1,011)	(1,431)	(1,495)	(1,560)
Unamortized bond discounts	99,023	89,102	75,918	75,326	81,337	91,591	75,339	68,893	62,292	61,823
Total debt	\$ 2,745,060	\$ 2,698,317	\$ 2,602,398	\$ 2,498,265	\$ 2,386,059	\$ 2,315,569	\$ 2,167,901	\$ 2,050,444	\$ 1,902,110	\$ 1,867,088
Debt per capita ¹	NA	\$ 3,489	\$ 3,346	\$ 3,194	\$ 3,112	\$ 3,005	\$ 2,833	\$ 2,682	\$ 2,491	\$ 2,457
Debt - percentage of personal income ¹	NA	NA	1.84%	1.78%	1.76%	1.73%	1.74%	1.78%	1.82%	1.85%

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE SCHEDULES OF PLANT, LINES AND OTHER FACILITIES
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Completed projects										
Sewer lines	\$ 2,172,413	\$ 2,070,342	\$ 1,761,425	\$ 1,746,705	\$ 1,648,891	\$ 1,497,090	\$ 1,440,360	\$ 1,379,153	\$ 1,277,745	\$ 1,274,180
Wastewater treatment facilities	754,084	696,900	641,414	627,903	669,041	648,503	637,166	629,083	489,292	489,289
Drainage facilities	1,167,937	1,033,710	997,461	880,863	839,159	561,341	542,271	515,898	448,853	448,899
Pumping and lift stations	298,862	286,975	260,231	256,228	240,963	183,795	166,158	139,651	96,812	96,819
Administrative facilities	53,173	52,471	52,348	52,297	51,734	50,818	50,817	49,342	49,342	49,342
Maintenance facilities	20,572	14,576	14,301	12,459	12,074	8,504	8,504	8,504	8,037	8,037
Machinery, equipment and other	158,613	136,797	121,868	121,265	118,879	97,407	98,138	90,702	85,395	85,395
Total completed projects	4,625,654	4,291,771	3,849,048	3,697,720	3,580,741	3,047,458	2,943,414	2,812,333	2,455,476	2,451,961
Less accumulated depreciation	(1,507,858)	(1,417,629)	(1,305,547)	(1,221,668)	(1,208,329)	(1,109,966)	(1,046,707)	(979,405)	(925,901)	(871,412)
Total completed projects - net	3,117,796	2,874,142	2,543,501	2,476,052	2,372,412	1,937,492	1,896,707	1,832,928	1,529,575	1,580,549
Total construction in progress	309,372	420,200	625,113	538,013	460,501	711,655	581,222	487,674	623,181	463,167
Total net plant, lines and other facilities	\$ 3,427,168	\$ 3,294,342	\$ 3,168,614	\$ 3,014,065	\$ 2,832,913	\$ 2,649,147	\$ 2,477,929	\$ 2,320,602	\$ 2,152,756	\$ 2,043,716

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE SUMMARIES OF SERVICE AND ADMINISTRATIVE COSTS
YEARS ENDED JUNE 30
DOLLARS IN THOUSANDS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service and administrative costs:										
Labor ¹	\$ 86,469	\$ 81,552	\$ 77,789	\$ 73,476	\$ 71,379	\$ 64,718	\$ 59,183	\$ 55,229	\$ 54,378	\$ 55,356
Utilities	18,838	16,595	16,265	17,923	19,520	16,640	14,427	18,256	13,817	14,563
Materials & supplies	6,826	8,012	6,840	7,591	8,639	8,647	7,976	4,183	9,706	8,151
Contractual services	31,691	31,288	34,084	37,326	28,604	27,864	25,021	27,448	20,478	19,036
Chemicals	7,599	6,905	5,017	4,649	4,761	4,429	5,298	4,372	3,681	3,306
Fuel	1,694	1,658	1,083	1,069	1,393	1,276	1,077	1,326	1,616	1,837
Insurance premiums & claims	7,597	7,216	3,624	2,249	2,057	2,423	1,669	1,316	1,505	1,948
Bad debt	3,046	6,422	5,501	4,009	3,748	3,938	3,495	2,603	2,068	1,781
Other operating expense	2,032	1,496	1,323	1,654	1,981	2,012	1,440	2,939	1,052	943
Total service and administrative costs	165,792	161,144	151,526	149,945	142,082	131,947	119,586	117,671	108,301	106,921
Less: capitalized overhead										
Capitalized project cost	(41,151)	(42,166)	(41,785)	(39,643)	(38,383)	(38,147)	(31,949)	(30,516)	(30,056)	(33,568)
Net service and administrative costs	\$ 124,641	\$ 118,978	\$ 109,741	\$ 110,302	\$ 103,699	\$ 93,800	\$ 87,637	\$ 87,155	\$ 78,245	\$ 73,353

¹Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB expense for the year.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
FISCAL YEAR 2023 BUDGETARY COMPARISON SCHEDULE
DOLLARS IN THOUSANDS

	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Salaries & wages	61,871	58,764	3,107
Labor related overhead	28,827	27,705	1,122
Utilities	17,696	18,838	(1,142)
Materials & supplies	8,831	6,824	2,007
Contractual services	36,098	31,691	4,407
Chemicals	9,255	7,600	1,655
Fuel	2,116	1,694	422
Insurance premiums & claims	6,277	7,597	(1,320)
Bad debt	3,535	3,046	489
Other operating expense	2,161	2,033	128
Interest expense	103,795	101,503	2,292
	<u>280,462</u>	<u>267,295</u>	<u>13,167</u>

Reconciliation between total budgetary basis expenditures and total expenses reported in statements of revenues, expenses and changes in net position:

Actual budget expenditures	267,295
Capitalized overhead	(41,151)
Depreciation and amortization expense	114,562
GASB 68 pension expense	(1,631)
GASB 75 OPEB expense	3,763
Capitalized interest	(6,961)
Change in fair value - derivative instruments	(7,614)
Total expenses reported in statements of revenues, expenses and changes in net position	<u>328,263</u>

Expenses reported in statements of revenues, expenses and changes in net position:

Total operating expenses	241,335
Interest expense - bonds	91,736
Interest expense - swaps	3,988
Interest expense - other	15,337
Amortization of debt discount / premium	(13,189)
Amortization of loss on refunding	3,631
Capitalized interest	(6,961)
Change in fair value - derivative instruments	(7,614)
Total expenses reported in statements of revenues, expenses and changes in net position	<u>328,263</u>

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MISCELLANEOUS OPERATING INDICATORS
YEARS ENDED JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Miscellaneous Operating Indicators												
Jefferson County												
Miles of sewers	3,404	3,390	3,372	3,488	3,348	3,463	3,322	3,293	3,240	3,263	3,240	3,332
Miles of stormwater mains*	1,179	1,175	1,160	-	-	-	-	-	-	-	-	-
Number of treatment plants	5	5	5	5	5	5	5	5	16	19	19	20
Daily average treatment (MGD)	138	153	157	164	173	150	112	139	143	141	131	145
Daily treatment capacity (MGD)	200	200	200	200	200	200	170	170	177	177	177	173
Oldham County												
Miles of sewers	145	145	135	-	-	-	-	-	-	-	-	-
Number of treatment plants	8	8	8	-	-	-	-	-	-	-	-	-
Daily average treatment (MGD)	3	2	2	-	-	-	-	-	-	-	-	-
Daily treatment capacity (MGD)	4	4	4	-	-	-	-	-	-	-	-	-
Bullitt County												
Miles of sewers	58	54	-	-	-	-	-	-	-	-	-	-
Number of treatment plants	8	7	-	-	-	-	-	-	-	-	-	-
Daily average treatment (MGD)	1	1	-	-	-	-	-	-	-	-	-	-
Daily treatment capacity (MGD)	2	2	-	-	-	-	-	-	-	-	-	-

MGD - millions of gallons per day
*Historical data not available

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
FISCAL YEAR 2023 WASTEWATER TREATMENT PLANT CAPACITY**

Location ¹	Design Capacity	Avg Daily Flow	Eventual Capacity	Residential	Active Customers ²			Total	Year Built	Treatment Process
					Commercial	Industrial				
Jefferson County Water Quality Treatment Centers										
Morris Forman	120.0	100.3	120.0	119,567	13,552	301	133,420	1958	Secondary added in 1976.	
Derek R. Guthrie	60.0	37.6	60.0	64,416	3,818	44	68,278	1986	Secondary	
Cedar Creek	7.5	6.9	11.3	19,331	1,101	14	20,446	1995	Tertiary: sand filter	
Floyd's Fork	6.5	3.8	9.8	10,818	588	5	11,411	2001	Tertiary: sand filter	
Hite Creek	9.0	4.3	9.0	10,959	683	9	11,651	1970	Tertiary: sand filter	
Oldham County plants (combined)	4.3	2.7	4.3	5,238	39	1	5,278	Varies		
Bullitt County plants (combined)	1.7	1.5	1.7	4,003	116	1	4,120	Varies		
Total wastewater treatment system	209.0	157.1	216.0	234,332	19,897	375	254,604			

¹Only MSD-owned treatment plants are included.

²Active customer counts include Louisville Metro customers. Metro wastewater services are provided free of charge.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

GREATER LOUISVILLE AREA EMPLOYERS

1,000 EMPLOYEES OR MORE

Employers	2023		2022		2021		2020		2019		2018		2017		2016		2015		2014		Type of business	
	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees		
United Parcel Service, Inc.	1	26,328	1	25,169	1	24,110	1	25,090	1	23,533	1	21,233	1	22,354	1	22,080	1	22,189	1	20,931	P Air cargo transport and distribution	
Norton Healthcare (formerly Alliant Health)	2	15,044	2	14,413	3	14,403	3	13,828	4	12,579	4	12,247	5	11,944	5	11,389	4	10,739	4	10,245	N Hospital and health care facilities	
Jefferson County, KY Public Schools	3	14,000	3	13,596	2	14,484	2	14,484	2	14,250	2	14,476	2	14,553	2	14,739	2	14,719	2	14,676	G Primary and secondary education	
UofL Health Inc.	4	13,136	4	13,111	5	12,568	6	12,000	-	-	-	-	-	-	-	-	-	-	-	-	N Hospital and health care facilities	
Ford Motor Company	5	13,020	5	13,020	4	13,020	4	13,020	3	13,042	3	12,600	3	12,600	3	12,990	5	9,028	5	8,987	P Vehicle manufacturing	
Baptist Healthcare System	6	8,657	7	9,030	7	9,666	8	7,346	7	8,143	9	6,159	7	6,786	10	4,995	9	5,116	11	5,339	N Hospital and health care facilities	
Walmart Inc.	7	8,550	8	8,600	8	7,500	9	6,650	8	6,650	0	-	0	-	0	-	0	-	0	-	P Grocery Retailer	
GE Appliances, a Haier company	8	8,500	9	8,100	10	7,100	11	6,000	10	6,000	10	6,000	10	6,000	9	6,000	7	6,000	6	6,230	P Appliance manufacturing	
Humana, Inc.	9	7,465	6	11,243	6	12,526	5	12,360	5	12,000	5	12,000	4	12,500	4	12,500	3	12,900	3	12,371	P Group health insurance/HMOs	
The Kroger Company	10	7,000	13	5,000	9	7,421	7	9,235	6	9,235	12	3,079	12	3,079	11	4,626	10	4,892	10	5,417	P Grocery Retailer	
University of Louisville	11	6,339	10	6,585	11	6,574	10	6,619	9	6,394	6	6,933	6	7,065	7	6,375	6	6,264	7	6,161	G Higher education	
Louisville-Jefferson County Metro Government	12	5,705	11	5,702	13	5,628	13	5,645	12	5,987	8	6,226	9	6,192	8	6,095	8	5,584	8	5,654	G City/County Government	
Amazon.com	13	5,700	12	5,700	12	5,700	12	5,700	13	5,700	7	6,500	8	6,500	6	6,500	7	6,000	-	-	P Logistics & Customer Service	
Robley Rex VA Medical Center	14	2,330	17	2,084	18	2,002	19	1,922	19	1,876	18	1,816	21	1,800	21	1,900	19	1,800	20	1,703	N Hospital and health care facilities	
Mama Inc	15	2,300	14	2,300	14	2,325	15	2,300	16	2,300	14	2,300	14	2,600	12	3,120	13	2,400	16	2,250	P Food service provider	
Roman Catholic Archdiocese of Louisville	16	2,206	15	2,193	17	2,202	17	2,202	18	2,202	15	2,252	13	2,660	17	2,263	17	2,237	14	2,280	N Religious, educational, social services	
LG&E and KU Energy (formerly EON)	17	1,809	16	2,084	15	2,209	16	2,240	17	2,208	16	2,162	17	2,201	18	2,211	18	1,993	18	2,178	P Gas & Electric Utility	
Churchill Downs Inc.	18	1,745	24	1,317	0	-	38	1,000	25	1,508	25	1,515	25	1,526	0	-	0	-	0	-	-	P Racing, gaming and online entertainment
Bullitt County Public Schools	19	1,691	18	1,716	20	1,737	20	1,753	23	1,649	19	1,736	22	1,718	22	1,739	21	1,671	22	1,633	G Primary and secondary education	
Oldham County Public Schools	19	1,691	19	1,704	19	1,777	21	1,710	15	2,325	24	1,567	24	1,638	24	1,604	15	2,300	23	1,576	G Primary and secondary education	
New Albany - Floyd County Schools	21	1,625	22	1,475	23	1,475	26	1,414	26	1,500	21	1,652	26	1,405	25	1,600	22	1,622	21	1,648	G Primary and secondary education	
Trilogy Health Services	22	1,610	25	1,271	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	-	P Senior Living Services
Rawlings Group	23	1,495	21	1,505	22	1,495	24	1,531	24	1,520	29	1,440	28	1,332	30	1,211	-	-	-	-	-	P Insurance subrogation
Texas Roadhouse Inc.	24	1,408	0	-	25	1,452	25	1,452	26	1,500	26	1,500	29	1,320	35	1,179	-	-	-	-	-	P Food service provider
Anthem, Inc.	25	1,400	23	1,400	0	-	31	1,245	30	1,320	32	1,269	34	1,238	29	1,300	26	1,350	32	1,139	P Health Insurance sales and services	
Santitas Inc.	26	1,332	20	1,575	21	1,575	23	1,601	21	1,700	26	1,500	35	1,200	29	1,300	-	-	-	-	-	P Electronic connectors & microelectronics products
Fortna (formerly Material Handling Systems)	27	1,205	26	1,205	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	-	P Conveyor and Automated Sortation Systems
Brown-Forman Corp.	28	1,200	29	1,166	27	1,149	28	1,300	31	1,300	30	1,300	31	1,304	29	1,300	31	1,266	31	1,256	P Distilled spirits manufacturing	
JBS USA	28	1,200	27	1,200	26	1,165	32	1,200	35	1,200	34	1,200	37	1,189	34	1,180	-	-	-	-	-	P Pork Products
Spectrum (formerly Charter Communications)	28	1,200	27	1,200	25	1,200	14	2,330	14	2,330	13	2,400	15	2,400	33	1,200	35	1,131	34	1,200	P Call Center	
Faurecia	31	1,108	32	1,108	0	-	32	1,200	35	1,200	34	1,200	40	1,000	-	-	-	-	-	-	-	P Exhaust systems, interiors & seat systems
Seven Counties Services	32	1,103	30	1,153	31	1,072	0	-	32	1,266	31	1,284	27	1,340	36	1,165	34	1,168	33	1,129	N Health care provider	
Yum! Brands Inc. (formerly Tricon)	33	1,083	31	1,129	29	1,096	0	-	0	-	0	-	30	1,314	28	1,343	32	1,226	30	1,270	P Food service provider	
Greater Clark County, IN School Corp.	34	1,057	34	1,057	28	1,143	30	1,253	33	1,251	28	1,447	32	1,295	32	1,247	24	1,447	24	1,303	G Primary and secondary education	
ADP Inc.	35	1,000	36	1,000	34	1,000	38	1,000	42	1,000	0	-	0	-	0	-	0	-	0	-	-	P Grocery Retailer
Shelby County Public Schools	35	1,000	36	1,000	34	1,000	0	-	0	-	0	-	0	-	0	-	0	-	0	-	-	G Primary and secondary education
US Census Bureau	0	-	33	1,107	16	2,147	18	2,113	29	1,330	33	1,209	38	1,185	38	1,037	-	-	-	-	-	N Government
Signature Healthcare	0	-	35	1,013	0	-	0	-	40	1,093	0	-	24	1,558	0	-	0	-	0	-	-	N Post-acute and long-term care provider
Kindred Healthcare (formerly Vencor Inc.)	0	-	0	-	30	1,082	35	1,185	34	1,246	23	1,571	16	2,216	16	2,381	16	2,244	17	2,249	P Long-term health care, facilities	
BrightSpring Health Services	0	-	0	-	32	1,062	37	1,057	20	1,800	17	1,948	19	1,948	14	2,435	28	1,312	35	1,054	P Health care provider	
Malone Workforce Solutions	0	-	0	-	33	1,020	27	1,400	37	1,182	-	-	-	-	-	-	-	-	-	-	-	P Grocery Retailer
U.S. Postal Service	0	-	0	-	0	-	22	1,691	22	1,691	20	1,691	20	1,896	23	1,659	12	2,401	13	2,546	G Mail distribution	
Papa John's International	0	-	0	-	0	-	29	1,263	28	1,485	22	1,626	18	2,088	19	2,088	30	1,279	25	1,503	P Quick service restaurant	
Caesars Southern Indiana	0	-	0	-	0	-	32	1,200	38	1,135	38	1,160	33	1,239	31	1,252	29	1,303	29	1,404	P Gaming and entertainment resort	
Clark Memorial Hospital	0	-	0	-	0	-	36	1,063	41	1,011	39	1,060	0	-	33	1,225	33	1,225	30	1,270	P Health care provider	
Martinrea Heavy Stamping	0	-	0	-	0	-	0	-	39	1,100	0	-	0	-	0	-	0	-	0	-	-	P Grocery Retailer
LSC Communications (formerly Publisher's Printing)	0	-	0	-	0	-	0	-	0	-	34	1,200	35	1,200	27	1,400	25	1,413	28	1,432	P Trade, professional, special printing	
PNC Bank	0	-	0	-	0	-	0	-	0	-	37	1,175	39	1,175	26	1,500	23	1,569	0	-	-	Financial Services
Mortenson Dental Partners	0	-	0	-	0	-	0	-	0	-	40	1,047	0	-	0	-	0	-	0	-	-	Dental Services
Commonwealth of Kentucky	0	-	0	-	0	-	0	-	0	-	0	-	0	-	13	2,514	11	3,794	12	4,042	G General purpose government	
U.S. Federal Government	0	-	0	-	0	-	0	-	0	-	0	-	0	-	15	2,406	14	2,397	15	2,252	G General purpose government	
Floyd Memorial Hospital & Health Services	0	-	0	-	0	-	0	-	0	-	0	-	0	-	20	1,950	20	1,756	19	1,769	P Hospital and health services provider	
Securitas Security Services USA Inc.	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	27	1,328	26	1,476	P Security Services	
Al J Schneider Co	0	-	0	-	0	-	0	-	0	-	0	-	40	1,000	37	1,047	37	1,000	36	1,050	P Hotel / Restaurants	
American Commercial Lines	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	36	1,100	0	-	-	P Marine Transportation Service
Total employees		173,242		173,231		173,085		177,602		167,741		150,680		156,558		158,045		149,163		138,603		

P=for-profit organization N=not-for-profit organization G=governmental organization
 Source: Business First of Louisville, KY, July 14, 2023

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
MISCELLANEOUS DEMOGRAPHIC INFORMATION**

Fiscal Year	Population¹	Personal Income²	Unemployment Rate³	# of MSD Employees	Miles of Sewer Line
2014	760,026	\$ 34,609,792	6.4%	606	3,263
2015	763,623	\$ 34,575,582	4.9%	591	3,288
2016	764,378	\$ 36,517,217	4.6%	617	3,293
2017	765,352	\$ 37,813,140	4.6%	626	3,322
2018	770,517	\$ 40,017,970	4.2%	632	3,463
2019	766,757	\$ 41,968,275	4.2%	645	3,348
2020	782,123	\$ 44,407,286	6.4%	675	3,488
2021	777,874	\$ 47,818,804	5.3%	648	3,507
2022	773,399	N/A	3.4%	674	3,589
2023	N/A	N/A	3.8%	696	3,607

¹Jefferson County, Kentucky, source: U.S. Census Bureau (<https://www.census.gov/quickfacts/fact/table/jeffersoncountykentucky/POP010220>)

²Jefferson County, Kentucky, source: Bureau of Economic Analysis website (www.bea.gov)

³Louisville Metropolitan Statistical Area, source: U.S. Bureau of Labor Statistics (https://www.bls.gov/eag/eag.ky_louisville_msa.htm)

Cover photo: Ohio River upstream of downtown Louisville, KY



700 West Liberty Street
Louisville, KY 40203-1911
LouisvilleMSD.org
24/7 Customer Relations
502.540.6000

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APPENDIX C

**INTERIM AND UNAUDITED FINANCIAL STATEMENTS
FISCAL PERIOD ENDED MAY 31, 2024**

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
STATEMENTS OF NET POSITION
AS OF MAY 31, 2024
(amounts in thousands)

	2024	2023
Current Assets		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 73,953	\$ 56,983
Investments	94,321	66,015
Accounts receivable, less allowance for doubtful accounts of \$2,045 (2024), \$4,441 (2023)	21,049	26,906
Inventories	6,256	5,723
Accrued interest receivable	588	341
Prepaid expenses and other current assets	1,002	2,839
Total unrestricted current assets	197,169	158,807
Restricted Current Assets		
Cash and cash equivalents	17,005	6,588
Investments	24,985	3,051
Total restricted current assets	41,990	9,639
Total Current Assets	239,159	168,446
Noncurrent Assets		
Unrestricted Noncurrent Assets		
Accounts receivable, non-current	4,645	6,389
Restricted Noncurrent Assets:		
Cash and cash equivalents	3,727	3,031
Investments	61,127	74,746
Total restricted non-current assets	64,854	77,777
Capital Assets		
Utility plant in service	4,704,620	4,287,761
Less allowance for depreciation	(1,611,504)	(1,496,846)
Net utility plant in service	3,093,116	2,790,915
Construction in progress	458,392	593,357
Subscription assets, net of amortization	5,243	-
Net capital assets	3,556,751	3,384,272
Other Noncurrent Assets		
Prepaid regulatory assets	450,889	443,512
Less allowance for depreciation	(170,493)	(159,400)
Net prepaid regulatory assets	280,396	284,112
Unamortized bond issuance costs	14,585	14,062
Unamortized reserve fund insurance	708	737
Total other noncurrent assets	295,689	298,911
Total Non-current Assets	3,921,939	3,767,349
Total Assets	4,161,098	3,935,795
Deferred Outflow of Resources		
Deferred outflow - pension	20,102	21,836
Deferred outflow - OPEB	16,397	23,447
Unamortized loss on refunding	10,970	23,097
Total deferred outflow of resources	47,469	68,380
Total Assets and Deferred Outflow of Resources	\$ 4,208,567	\$ 4,004,175

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
STATEMENTS OF NET POSITION
AS OF MAY 31, 2024
(amounts in thousands)

	2024	2023
Current Liabilities		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 9,414	\$ 9,423
Accrued salaries and related benefits	8,799	8,768
Total unrestricted current liabilities	18,213	18,191
Current Liabilities To Be Paid From Restricted Assets		
Accounts payable and accrued expenses (capital), includes contractor retainage of \$13,306 (2024), \$6,093 (2023)	37,422	15,126
Accrued interest payable	4,684	9,398
Refundable deposits	1,654	2,087
Revenue bonds payable	53,985	52,375
Other subordinate debt	10,582	1,919
Total restricted current liabilities	108,327	80,905
Total Current Liabilities	126,540	99,096
Noncurrent Liabilities		
Bonds payable, net	2,503,708	2,250,704
Bond anticipation note	-	226,340
Commercial paper notes	204,870	130,000
Other subordinate debt	50,366	48,174
Net pension liability	132,407	124,564
Net OPEB obligation	36,145	37,395
Investment derivative asset liability	20,039	30,021
Subscription asset liability	4,269	-
Total Noncurrent Liabilities	2,951,804	2,847,198
Total Liabilities	3,078,344	2,946,294
Deferred Inflow of Resources		
Deferred inflow - pension	6,604	17,811
Deferred inflow - OPEB	15,030	17,068
Deferred inflow - derivative instruments	21,381	13,510
Other deferred inflows	-	-
Total deferred inflow of resources	43,015	48,389
Total Liabilities and Deferred Inflow of Resources	\$ 3,121,359	\$ 2,994,683
Net Position		
Net investment in capital assets	\$ 987,184	\$ 966,843
Assets restricted for debt service	102,162	78,020
Unrestricted	(2,138)	(35,371)
Total net position	1,087,208	1,009,492
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 4,208,567	\$ 4,004,175

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
AS OF MAY 31, 2024
(amounts in thousands)

	2024	2023
Operating Revenues		
Service charges	\$ 375,811	\$ 351,673
Other operating income	9,377	6,212
Total operating revenues	385,188	357,885
Operating Expenses		
Service and administrative costs	120,546	113,276
Depreciation and amortization	119,961	99,701
Total operating expenses	240,507	212,977
Income from Operations	144,681	144,908
Non-operating Revenue (Expenses)		
Gain/Loss disposal of assets	(27)	(2,759)
Investment income	12,679	6,719
Build America bond refund	10,360	10,071
Interest expense - bonds	(89,962)	(83,898)
Interest expense - derivative instruments	(1,600)	(3,831)
Interest expense - other	(13,233)	(13,196)
Amortization of debt discount / premium	6,766	12,440
Amortization of loss on refunding	(1,332)	(3,490)
Capitalized interest	7,496	7,079
Change in fair value - swaps	4,855	10,560
Total non-operating revenue (expenses) - net	(63,998)	(60,305)
Income before capital contributions	80,683	84,603
Capital contributions	2,246	1,857
Increase in net position	82,929	86,460
Net position, beginning	1,004,279	923,032
Net position, ending	\$ 1,087,208	\$ 1,009,492

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF MAY 31, 2024
(amounts in thousands)

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 392,616	\$ 357,353
Cash paid to suppliers	(100,328)	(99,489)
Cash paid to employees	(59,918)	(53,777)
Net Cash Provided by Operating Activities	<u>232,370</u>	<u>204,087</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	124,369	-
Proceeds from issuance of bond anticipation note	-	229,468
Proceeds from issuance of commercial paper	2,286,560	430,000
Proceeds from other subordinate debt	5,316	-
Payments for retirement of revenue bonds	(51,115)	(57,090)
Payments for retirement of bond anticipation note	(226,340)	(226,340)
Payments for retirement of commercial paper	(2,039,365)	(350,000)
Payments for retirement of notes	-	-
Payments for retirement of other subordinated debt	(4,933)	(2,671)
Payments for interest expense	(116,406)	(104,318)
Payments for interest on swaps	(1,600)	(3,831)
Payments for interest on derivative instruments	-	-
Build America bond interest subsidy	10,360	10,070
Proceeds from capital grants	3,044	-
Proceeds from sales of capital assets	(26)	(2,759)
Payments for capital assets	(196,265)	(155,966)
Proceeds from assessments	658	833
Net Cash Provided (Used) by Capital and Related Financing	<u>(205,743)</u>	<u>(232,604)</u>
Cash Flows from Investing Activities		
Purchase of investments	(291,873)	(139,409)
Maturity of investments	258,850	157,267
Investment income	9,296	5,389
Net Cash Provided (Used) by Investing Activities	<u>(23,727)</u>	<u>23,247</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,900	(5,270)
Cash and Cash Equivalents, Beginning of Year	91,786	71,854
Cash and Cash Equivalents, End of Year	<u><u>\$ 94,686</u></u>	<u><u>\$ 66,584</u></u>

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF MAY 31, 2024
(amounts in thousands)

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash provided by Operating Activities		
Income from operations	\$ 144,680	\$ 144,908
Adjustments to reconcile operating income to net cash provided by operating activities		
Capitalized overhead	(38,765)	(37,435)
Depreciation and amortization	119,961	99,701
Accounts receivable	7,917	(700)
Inventories	(444)	(460)
Prepaid expense	(764)	110
Accounts payable	1,288	(384)
Customer deposits	(488)	167
Accrued liabilities	(1,015)	(1,820)
Net Cash Provided by Operating Activities	<u>\$ 232,370</u>	<u>\$ 204,087</u>
Non-Cash Capital Financing and Investing Activities		
Contribution of plant, lines and other facilities by developers and property owners	\$ (798)	\$ -
Construction costs in accounts payable	37,422	12,312
Unrealized (gain)/loss on investments	(3,806)	(2,109)
Decrease in interest rate swap deferred revenue	(207)	(414)
Change in fair value - derivative instruments	4,855	(3,929)

APPENDIX D
FORM OF BOND COUNSEL OPINION

August 20, 2024

Louisville and Jefferson County
Metropolitan Sewer District
Louisville, Kentucky 40203

The Bank of New York Mellon
Trust Company, N.A., as Registrar and Paying Agent
Pittsburgh, Pennsylvania 15262

Re: \$104,280,000 Louisville and Jefferson County Metropolitan Sewer District
(Commonwealth of Kentucky) Sewer and Drainage System Revenue Bonds, Series 2024A

Ladies and Gentlemen:

As Bond Counsel we have examined a copy of the transcript of proceedings relating to the original issuance by the Louisville and Jefferson County Metropolitan Sewer District (the “District”), a public body corporate and political subdivision of the Commonwealth of Kentucky (the “Commonwealth”), of the District’s above-referenced Series 2024A Bonds in the principal amount of \$104,280,000 (herein the “Bonds”).

The Bonds are being issued pursuant to the provisions of [i] Chapter 76 of the Kentucky Revised Statutes, as amended (the “Act”), [ii] a Sewer and Drainage System Revenue Bond Resolution of the District adopted on December 7, 1992, as heretofore amended and supplemented (the “General Bond Resolution”) and [iii] a Thirty-Fourth Supplemental Sewer and Drainage System Revenue Bond Resolution adopted by the District on March 25, 2024 (the “Supplemental Resolution”, and the General Bond Resolution as amended and supplemented by the Supplemental Resolution, the “Bond Resolution”) in order: (i) together with other available funds of the District, to currently refund (a) all of the outstanding principal amount of the District’s Sewer and Drainage System Revenue Bonds, Series 2013B (the “Refunded Series 2013B Bonds”) and (b) a portion of the outstanding principal amount of the District’s Sewer and Drainage System Revenue Bonds, Series 2014A (the “Refunded Series 2014A Bonds” and together with the Refunded Series 2013B Bonds, the “Refunded Bonds”), and (ii) to pay the costs of issuance of the Series 2024A Bonds.

The Bonds are dated on their original issuance of even date herewith, mature or are subject to redemption through sinking fund installments on May 15 in each of the years and in the amounts, are subject to redemption prior to maturity, and bear interest payable on May 15 and November 15 of each year, commencing November 15, 2024, at the respective rates per annum, as have been established by the District pursuant to the Supplemental Resolution.

The Bonds and the interest thereon do not constitute a general obligation or indebtedness of the District, Louisville/Jefferson County Metro Government (“Metro Government”), the County of Jefferson, Kentucky (the “County”) or the Commonwealth within the meaning of the Constitution and laws of the Commonwealth and are not a charge against the general credit or taxing power of the District, Metro Government, the County, the Commonwealth or any other political subdivision of the Commonwealth, but

are a limited obligation of the District secured solely by and payable solely from the gross revenues derived from the collection of rates, rentals and charges for the services rendered by the District's sewer and drainage system. The District has no taxing power.

In our capacity as Bond Counsel we have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. We have also relied on an opinion dated as of even date herewith of Kellie S. Watson, Esq., General Counsel to the District, with respect to the valid creation, organization and existence of the District and the due adoption by the Board of the District of the Bond Resolution. As to certain questions of fact, we have relied on statements and certifications of certain officers, employees and agents of the District and other public officials. Terms which are capitalized and not defined herein are defined in the Bond Resolution.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties other than the District had the requisite power and authority to enter into and perform all obligations of all documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion that:

1. The District is a public body corporate and political subdivision of the Commonwealth, validly existing under the provisions of the Constitution and laws of the Commonwealth, including the Act, with the right and power under the Act to adopt the Bond Resolution.
2. The Bond Resolution has been duly and lawfully adopted by the Board of the District.
3. The Bond Resolution is the valid and binding special limited obligation of the District enforceable in accordance with its respective terms.
4. The Bonds have been duly and validly authorized, executed and delivered by the District in accordance with law and the Bond Resolution and are the valid and binding special limited obligations of the District as provided in the Bond Resolution, enforceable in accordance with their terms and entitled to the benefit and security of the Bond Resolution and the Act as amended to the date hereof.
5. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.
6. Under the Internal Revenue Code (the "Code") as presently enacted and construed, interest on the Bonds is excluded from gross income for Federal income tax purposes.
7. The Bond Resolution creates the valid pledge which it purports to create of the Pledged Property, subject to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the conditions set forth in the Bond Resolution.

For the purpose of rendering the opinion set forth in paragraph 6 above, we have assumed compliance by the District with the requirements of the Code that must be met subsequent to the issuance of the Bonds in order that the interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to their date of issuance. The District has covenanted to comply with such requirements.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Bond Resolution, including the rights and remedies thereunder, may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies. We also express no opinion as to the availability of equitable rights or remedies.

We are not expressing an opinion on the investment quality of the Bonds. We are members of the Bar of the Commonwealth and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified. Our opinion relates solely to the questions set out herein and does not consider other questions of law.

Sincerely,

WYATT, TARRANT & COMBS, LLP

APPENDIX E
BOOK-ENTRY ONLY SYSTEM

BOOK ENTRY SYSTEM

THE INFORMATION PROVIDED BELOW IN THIS APPENDIX E HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE BOARD OR THE CORPORATION AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of Bonds and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of [AA+]. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the

identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Neither the Issuer nor the Bond Registrar shall have any responsibility or obligation to participants or to any beneficial owner with respect to (i) the accuracy of any records maintained by DTC or any participant; (ii) the payment by DTC or any participant of any amount with respect to the principal of or interest or compound accreted value on the Bonds; (iii) the delivery or timeliness of delivery by any participant or any notice to any beneficial owner which is required or permitted under the terms of the resolution or ordinance to be given to Bondholders; or (iv) any consent given or action taken by DTC or Cede & Co., as bondholder.

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