

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 29, 2025**

**Book-Entry Only**  
**New Issue – Not Bank Qualified**

**Ratings: S&P “AA”**  
**Moody’s “Aa3”**  
**See “RATINGS” herein**

*In the opinion of Bond Counsel, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the District, and subject to the conditions and limitations set forth herein under the caption “TAX TREATMENT,” interest on the Series 2025A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In addition, interest on the Series 2025A Bonds is also exempt from Kentucky income tax, and the Series 2025A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.*



**\$289,080,000\***

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**SEWER AND DRAINAGE SYSTEM REVENUE AND REFUNDING REVENUE**  
**BONDS, SERIES 2025A**

**Dated: Date of Initial Delivery**

**Due: May 15, as shown on the inside cover page**

The above-captioned bonds (the “Series 2025A Bonds”) will bear interest from their dated date, payable on each May 15 and November 15, commencing November 15, 2025, and will mature on each May 15, as shown on the inside cover page hereof.

The Series 2025A Bonds are being issued under and in accordance with the provisions of (i) Chapter 58 and Chapter 76 of the Kentucky Revised Statutes (the “Act”), and (ii) the Sewer and Drainage System Revenue Bond Resolution adopted by the Board of the Louisville and Jefferson County Metropolitan Sewer District (the “District”) on December 7, 1992, as amended on March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003 (the “General Bond Resolution”), as amended and supplemented by the Thirty-Fifth Supplemental Sewer and Drainage System Revenue Bond Resolution adopted by the Board of the District on March 28, 2025 (the “Series Resolution” and, together with the General Bond Resolution, the “Resolution”). The holders of the Series 2025A 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 outstanding Bonds, subject to the satisfaction of the conditions contained in the Resolution. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025A BONDS” herein.

The Series 2025A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2025A Bonds will be issuable under a book-entry system and registered in the name of The Depository Trust Company (“DTC”) or its nominee. There will be no distribution of the Series 2025A Bonds to the ultimate purchasers. See “THE SERIES 2025A BONDS – Book-Entry-Only System” herein and “APPENDIX G – Book-Entry-Only System” hereto. Principal and interest on the Series 2025A Bonds are payable at the designated office of The Bank of New York Mellon Trust Company, N.A., as Paying Agent and Bond Registrar (the “Paying Agent and Bond Registrar”).

The Series 2025A Bonds will be subject to optional redemption [and mandatory sinking fund redemption] before maturity, as described herein.

The Series 2025A 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 2025A BONDS” herein.

The District deems this Preliminary Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

The Series 2025A Bonds are offered when, as, and if issued, subject to the approving legal opinion of Dinsmore & Shohl 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 2025A Bonds are expected to be available for delivery on or around August 19, 2025.

Dated: August [ ], 2025.

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\* Preliminary, subject to change as described in “APPENDIX H – Official Terms and Conditions of Bond Sale” hereto.

**\$289,080,000\***

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REFUNDING REVENUE BONDS, SERIES 2025A**

**Dated: Date of Initial Delivery**

<b>Maturity (May 15)*</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP 546589†</b>
2026	\$2,330,000	____%	____%	____%	
2027	2,470,000				
2028	2,990,000				
2029	7,035,000				
2030	26,690,000				
2031	14,640,000				
2032	15,625,000				
2033	11,705,000				
2034	8,830,000				
2035	18,375,000				
2036	12,205,000				
2037	5,400,000				
2038	5,670,000				
2039	5,955,000				
2040	6,255,000				
2041	6,565,000				
2042	6,895,000				
2043	7,240,000				
2044	7,600,000				
2045	7,980,000				
2046	8,380,000				
2047	8,820,000				
2048	9,280,000				
2049	9,770,000				
2050	10,280,000				
2051	10,820,000				
2052	11,390,000				
2053	11,990,000				
2054	12,615,000				
2055	13,280,000				

\* Preliminary, subject to change as described in “APPENDIX H – Official Terms and Conditions of Bond Sale” hereto.

† Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders only at the time of issuance of the Series 2025A Bonds and the District and the Underwriter do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2025A Bonds as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2025A Bonds.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**

***Board Members***

Ricky Mason, Chair<sup>†</sup>  
John Selent, Vice Chair  
Christopher Burckle  
Gerald Joiner  
Jeff Mosley  
Marita Willis<sup>†</sup>  
Lonnie Wright  
Brad Wilcox

***Executive Director and Secretary-Treasurer***

James A. “Tony” Parrott

***Chief Financial Officer***

Brad Good

***Chief Operations Officer – Wastewater Conveyance, Drainage, and Flood Protection***

Brian Bingham

***Chief Operations Officer – Wastewater Treatment***

Kimberly Reed

***Chief Engineer***

David Johnson

***General Counsel***

Kellie S. Watson, Esq.

**CERTIFIED PUBLIC ACCOUNTANTS**

Crowe LLP

Louisville, Kentucky

**BOND COUNSEL**

Dinsmore & Shohl LLP

Louisville, Kentucky

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC

Arlington, Virginia

**PAYING AGENT AND BOND REGISTRAR**

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

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<sup>†</sup> Term has expired, but continuing to serve until the District receives notice of their reappointment or replacement from the Louisville/Jefferson County Metro Government.

## REGARDING THIS OFFICIAL STATEMENT

The information contained 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, opinions, or estimates contained herein are correct as of any date after 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, as used herein, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” and “believe,” and any 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 2025A Bonds offered hereby, other than those contained herein, and if so 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 2025A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

In making any investment decisions, investors must rely on their own examination of the District and the terms of the offering, including the merits and risks involved in such investment. The Series 2025A Bonds have not been recommended by any federal or state securities commission or regulatory authority, and 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 2025A Bonds.

References to any website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 (as defined herein).

For purposes of compliance with Rule 15c2-12, this Official Statement is deemed to be a final official statement with respect to the Series 2025A Bonds within the meaning of Rule 15c2-12.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncoded, 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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**\$289,080,000\***

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and inside cover page hereof and the appendices attached hereto, is to provide certain information with respect to the issuance of the \$289,080,000\* aggregate principal amount of Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue and Refunding Revenue Bonds, Series 2025A (the “Series 2025A 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 page, the inside cover page, and the appendices attached hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement. The offering of the Series 2025A Bonds to potential investors is made only by means of this entire Official Statement.

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

**The District**

The Series 2025A 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 under 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 that included the City, many small incorporated areas of the County, and portions of the unincorporated areas of the County (the “Drainage Service Area”). Substantially all of 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.

See “THE DISTRICT” herein and “APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District” hereto.

**Purpose of the Series 2025A Bonds**

The proceeds of the Series 2025A Bonds have been authorized to be used:

- (i) together with other available funds of the District, to finance the Cost of Construction and Acquisition of improvements to the System in an amount not to exceed \$150,000,000, which include (a) wastewater and drainage system expansion and improvements; (b) improvements to wastewater treatment facilities; (c) rehabilitation of combined sewer overflow systems; (d) improvements to flood control and drainage facilities; (e) drainage and District improvements; (f) construction of collector sewers; (g) construction and improvements of detention and retention basins; (h) construction of interceptor sewers; (i) combined sewer overflow and sanitary overflow abatement projects; (j) construction and improvements to force mains; (k) repairs and improvements to District pumping stations; (l) construction of regional storage facilities; and (m) miscellaneous improvements and acquisition of equipment and mapping hardware and software; and
- (ii) to refund senior subordinate commercial paper notes of the District for the purpose of permanently financing the Costs of Construction and Acquisition of improvements to the System previously paid with the proceeds of such notes; and
- (iii) to refund all or any portion of any of the outstanding Bonds of the District designated as (a) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2009C (Federally Taxable – Build America Bonds – Direct Payment); (b) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds – Direct Payment); (c) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2014A; (d) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds,

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\* Preliminary, subject to change as described in “APPENDIX H – Official Terms and Conditions of Bond Sale” hereto.

Series 2015A; (e) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Refunding Bonds, Series 2015B; (f) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2016A; and (g) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Refunding Bonds, Series 2016B, in the amounts necessary to permit the District to achieve debt service savings with respect to such Bonds; and

- (iv) to pay costs of credit enhancement for the Series 2025A Bonds, if any; and
- (v) to fund the required increase to the Reserve Account established under the Resolution (as defined herein), if any; and
- (vi) to pay the costs of issuance of the Series 2025A Bonds.

See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

#### **Security and Source of Payment for the Series 2025A Bonds**

In accordance with the provisions of Chapter 58 and Chapter 76 of the Kentucky Revised Statutes (collectively, the “Act”), a Sewer and Drainage System Revenue Bond Resolution adopted by the Board of the District on December 7, 1992, as amended and supplemented by the Board on March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003 (the “General Bond Resolution”), and a Thirty-Fifth Supplemental Sewer and Drainage System Revenue Bond Resolution adopted by the District on March 28, 2025 (the “Series Resolution, and together with the General Bond Resolution, the “Resolution”), the District has pledged to the payment of the principal of, premium, if any, and interest on the Series 2025A Bonds as and when due and payable: (i) the proceeds of the Series 2025A 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 2025A Bonds rank on a parity as to security and source of payment with all other Bonds that have been or may hereafter be issued under the Resolution.

THE SERIES 2025A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COMMONWEALTH, 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. THE SERIES 2025A 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, 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 2025A BONDS. THE DISTRICT HAS NO TAXING POWER.

See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025A BONDS” herein.

#### **Description of the Series 2025A Bonds**

**Redemption.** The Series 2025A Bonds are subject to optional redemption [and mandatory sinking fund redemption] before maturity as described herein. See “THE SERIES 2025A BONDS – Redemption” herein.

**Denominations.** The Series 2025A Bonds will be issued in principal amounts of \$5,000 and integral multiples thereof. See “THE SERIES 2025A BONDS – General” herein.

**Book-Entry-Only System.** The Series 2025A Bonds are issuable only as fully registered bonds, without coupons. The Series 2025A 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 2025A Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2025A Bonds. So long as DTC or its nominee is the registered owner of the Series 2025A Bonds, payments of the principal of, redemption premium, if any, and interest due on the Series 2025A Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Series 2025A 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 “THE SERIES 2025A BONDS – Book-Entry-Only System” herein and “APPENDIX G – Book-Entry-Only System” hereto.



**Interest.** The Series 2025A 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, 2025. See “THE SERIES 2025A BONDS – General” herein.

### **Tax Treatment**

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, the interest, including the original issue discount, if any, on the Series 2025A Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, the interest on the Series 2025A Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In addition, the interest on the Series 2025A Bonds is also exempt from Kentucky income taxation and the Series 2025A Bonds are also exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions set forth in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Series 2025A Bonds, has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinions as to the federal or state tax consequences of purchasing, holding, or disposing of the Series 2025A Bonds.

The District has *not* designated the Series 2025A Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “TAX TREATMENT” herein and also see “APPENDIX F –Form of Bond Counsel Opinion” hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the issuance of the Series 2025A Bonds.

### **Parties to the Issuance of the Series 2025A Bonds**

The Paying Agent and Bond Registrar for the Series 2025A Bonds is The Bank of New York Mellon Trust Company, N.A. Legal matters incidence to the issuance of the Series 2025A Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel, Kellie S. Watson, Esq. The independent registered municipal advisor to the District with respect to the Series 2025A Bonds is PFM Financial Advisors LLC, Arlington, Virginia.

### **Authority for Issuance**

Authority for the issuance of the Series 2025A Bonds is provided by the Act and the Resolution.

### **Offering and Delivery of the Series 2025A Bonds**

The Series 2025A Bonds are offered when, as, and if issued by the District. The Series 2025A Bonds are expected to be delivered on or around August 19, 2025 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 2025A Bonds, including the Resolution and the bond form, are available from the District.

The District has deemed this Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12, except for certain information herein that 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, and copies of the basic documentation relating to the Series 2025A Bonds, is available from PFM Financial Advisors LLC, independent registered municipal advisor to the District, at 4350 North Fairfax Drive, Suite 590, Arlington, Virginia 22203, Telephone (703) 741-0175.

Brief descriptions of the Series 2025A Bonds, the sources of payment and the security for the Series 2025A 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. All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Resolution. All of the summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available from the District.

This Official Statement is also available on the District's investor relations website at [www.louisvillemdbonds.com](http://www.louisvillemdbonds.com). The District intends to post from time to time on its investor relations website, preliminary and final official statements and various other information that may be of interest to any 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 (the "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 2025A BONDS

### General

The Series 2025A Bonds are to be issued only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2025A 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, 2025 (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 2025A 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 2025A 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 before 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 2025A 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 2025A Bond, the District shall issue in the name of the transferee a new registered Series 2025A Bond of the same aggregate principal amount and maturity as the surrendered Series 2025A Bond. If any Series 2025A Bond is mutilated, lost, stolen, or destroyed, the District will execute and deliver a new Series 2025A Bond in accordance with the Resolution.

### Redemption

***Optional Redemption.*** The Series 2025A Bonds maturing on and after May 15, 2036\* are subject to optional redemption before 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, 2035\* (and, if less than all Series 2025A Bonds of a maturity are called for redemption, the selection of the Series 2025A 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 of Series 2025A Bonds being redeemed plus interest accrued thereon to the redemption date.

***[Mandatory Sinking Fund Redemption.*** The Series 2025A Bonds maturing on May 15, 20[\_\_\_], are subject to mandatory sinking fund redemption on May 15 of the years, and at a redemption price equal to the principal amount being redeemed plus interest accrued thereon to the redemption date, as set forth below:]

<i>Year</i>	<i>Principal Amount</i>
20[___]	\$[___]
20[___]*	\$[___]
*Maturity	

***Selection of Series 2025A Bonds to be Redeemed.*** Upon redemption of less than all the outstanding Series 2025A Bonds of the same maturity, the selection of Series 2025A Bonds for redemption shall be by lot in any customary manner of selection as designated by the Bond Registrar.

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\* Preliminary, subject to change.

**Notice of Redemption.** The Bond Registrar will give notice of redemption, identifying the Series 2025A Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty days before the date fixed for redemption to the registered owner of each Series 2025A 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 2025A Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2025A Bonds (or portions thereof). All Series 2025A 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-Only System**

The Series 2025A 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-only system is used, only DTC will receive or have the right to receive physical delivery of Series 2025A 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 2025A Bonds under the Resolution. For additional information about DTC and the book-entry-only system see “APPENDIX G – Book-Entry-Only System” hereto.

THE INFORMATION CONTAINED IN THIS SECTION AND APPENDIX G ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY-ONLY 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 2025A Bond may be transferred only upon the books of the District kept by the Bond Registrar, by the owner thereof, in person or by such owner’s attorney duly authorized in writing, upon surrender of such Series 2025A Bond at the designated office of the Bond Registrar, accompanied by a written instrument of transfer satisfactory to the Bond Registrar duly executed by the owner or by the owner’s duly authorized attorney. Any Series 2025A Bond may be exchanged at the designated office of the Bond Registrar for a new Series 2025A Bond of any authorized denomination and of the same aggregate principal amount and maturity as the surrendered Series 2025A Bond. The Bond Registrar will not charge for any new Series 2025A 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 Series 2025A 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 before the date of any selection of Series 2025A 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 2025A Bond called for redemption.

### **Defeasance**

If the District pays, or causes to be paid, or if there is otherwise paid, to the owners of all outstanding Series 2025A Bonds of a particular maturity or particular Series 2025A 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 2025A 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 2025A Bonds will thereupon cease, terminate, and become void and be discharged and satisfied.

Subject to the provisions of the Resolution, any outstanding Series 2025A 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 2025A Bonds to be redeemed on any date before their maturity, the District has instructed the Bond Registrar to mail a notice of the redemption of such Series 2025A Bonds on such 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 2025A Bonds on or before the redemption date or maturity date thereof, as the case may be, and (c) if such Series 2025A Bonds are not, by their terms, subject to redemption within the next succeeding sixty days, the District has given the Bond Registrar instructions in writing to mail a notice to the owners of such Series 2025A Bonds that the deposit required by clause (b) above has been made with the escrow agent and that such Series 2025A Bonds are deemed to have been paid in accordance with the Resolution, and stating the maturity or redemption date on which money is expected to be available for the payment of the principal or redemption price, if applicable, on such Series 2025A Bonds. For a description of the types of Defeasance Obligations in which funds may be invested for purposes of clause (b) above, see “APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Defeasance” hereto.

## PLAN OF FINANCE

The Series 2025A Bonds have been authorized to be issued, and the proceeds of the Series 2025A Bonds may be used and applied by the District, as follows:

- (i) together with other available funds of the District, to finance the Cost of Construction and Acquisition of improvements to the System in an amount not to exceed \$150,000,000, which include (a) wastewater and drainage system expansion and improvements; (b) improvements to wastewater treatment facilities; (c) rehabilitation of combined sewer overflow systems; (d) improvements to flood control and drainage facilities; (e) drainage and District improvements; (f) construction of collector sewers; (g) construction and improvements of detention and retention basins; (h) construction of interceptor sewers; (i) combined sewer overflow and sanitary overflow abatement projects; (j) construction and improvements to force mains; (k) repairs and improvements to District pumping stations; (l) construction of regional storage facilities; and (m) miscellaneous improvements and acquisition of equipment and mapping hardware and software (collectively, the “New Projects”); and
- (ii) to refund senior subordinate commercial paper notes of the District for the purpose of permanently financing the Costs of Construction and Acquisition of improvements to the System previously paid with the proceeds of such notes (collectively, the “Refunded Notes”)\*; and
- (iii) to refund all or any portion of any of the outstanding Bonds of the District designated as (a) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2009C (Federally Taxable – Build America Bonds – Direct Payment); (b) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds – Direct Payment); (c) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2014A; (d) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2015A; (e) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Refunding Bonds, Series 2015B; (f) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2016A; and (g) Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Refunding Bonds, Series 2016B, in the amounts necessary to permit the District to achieve debt service savings with respect to such Bonds (collectively, the “Refunded Bonds”)\*; and
- (iv) to pay costs of credit enhancement for the Series 2025A Bonds, if any; and
- (v) to fund the required increase to the Reserve Account established under the Resolution, if any; and
- (vi) to pay the costs of issuance of the Series 2025A Bonds.

## SOURCES AND USES OF FUNDS

### Sources:

Series 2025A Bond Proceeds	\$[_____]
[Plus/Less] [Net] Original Issue [Premium/Discount]	\$[_____]
Total Sources	\$[_____]

### Uses:

Fund the Costs of Acquisition of the New Projects	\$[_____]
Refund the Refunded Bonds	\$[_____]
Pay and discharge the Refunded Notes	\$[_____]
Deposit to the Reserve Account	\$[_____]
Underwriter’s Discount	\$[_____]
Cost of Issuance	\$[_____]
Total Uses	\$[_____]

[Continued on the following page]

\* The series and maturities of the Refunded Bonds and Refunded Notes included within the preliminary sizing of the Series 2025A Bonds reflected in this Preliminary Official Statement are more particularly identified in “APPENDIX C – Summary of Refunded Bonds and Refunded Notes” hereto, which series and maturities of the Refunded Bonds and Refunded Notes are preliminary and subject to change in conjunction with the final sizing of the Series 2025A Bonds.

## DEBT SERVICE REQUIREMENTS

Fiscal Year Ending June 30	Combined System Debt Service									
	Series 2025A <sup>(1)</sup>			Existing Senior Lien Principal <sup>(2)(3)</sup> (D)	Existing Senior Lien Interest <sup>(2)(3)</sup> (E)	Total Senior Lien Bond Debt Service F = (C + D + E)	Direct Payments <sup>(4)</sup> (G)	Net Senior Lien Bond Debt Service H = (F + G)	Subordinated Debt Service <sup>(5)(6)</sup> (I)	Total Net Debt Service J = (H + I)
	Bond Principal (A)	Bond Interest (B)	Total Debt Service C = (A + B)							
2026	2,330,000	10,876,860	13,206,860	50,770,694	98,582,015	162,559,570	(10,359,939)	152,199,630	21,854,448	174,054,078
2027	2,470,000	14,604,063	17,074,063	69,140,000	95,887,801	182,101,863	(10,359,939)	171,741,924	21,871,068	193,612,992
2028	2,990,000	14,480,563	17,470,563	67,115,000	92,483,672	177,069,235	(9,637,955)	167,431,280	24,610,871	192,042,151
2029	7,035,000	14,331,063	21,366,063	65,435,000	90,417,880	177,218,943	(9,637,955)	167,580,987	24,487,600	192,068,587
2030	26,690,000	13,979,313	40,669,313	46,903,716	89,671,788	177,244,817	(9,637,955)	167,606,862	24,441,528	192,048,390
2031	14,640,000	12,644,813	27,284,813	25,555,954	89,392,710	142,233,476	(10,220,525)	132,012,951	66,206,514	198,219,466
2032	15,625,000	11,912,813	27,537,813	26,429,163	88,361,496	142,328,471	(10,220,525)	132,107,946	66,256,158	198,364,104
2033	11,705,000	11,131,563	22,836,563	31,662,518	87,311,038	141,810,118	(10,220,525)	131,589,593	66,691,072	198,280,666
2034	8,830,000	10,546,313	19,376,313	96,362,024	86,168,448	201,906,784	(10,220,525)	191,686,259	6,518,754	198,205,013
2035	18,375,000	10,104,813	28,479,813	90,430,684	83,410,381	202,320,878	(10,220,525)	192,100,353	6,441,125	198,541,478
2036	12,205,000	9,186,063	21,391,063	102,740,503	79,290,560	203,422,125	(10,220,525)	193,201,600	5,785,805	198,987,405
2037	5,400,000	8,575,813	13,975,813	117,949,482	74,584,362	206,509,657	(10,220,525)	196,289,132	5,592,509	201,881,641
2038	5,670,000	8,305,813	13,975,813	123,213,627	69,491,802	206,681,242	(10,220,525)	196,460,717	5,396,613	201,857,330
2039	5,955,000	8,022,313	13,977,313	128,371,942	64,341,831	206,691,086	(10,220,525)	196,470,561	5,394,014	201,864,574
2040	6,255,000	7,724,563	13,979,563	133,969,430	57,670,420	205,619,412	(8,393,859)	197,225,553	5,394,014	202,619,566
2041	6,565,000	7,411,813	13,976,813	139,024,095	50,674,560	203,675,467	(6,453,125)	197,222,342	5,360,830	202,583,172
2042	6,895,000	7,083,563	13,978,563	144,444,942	43,184,043	201,607,548	(4,383,859)	197,223,688	5,245,561	202,469,249
2043	7,240,000	6,738,813	13,978,813	150,081,975	35,395,912	199,456,700	(2,233,875)	197,222,825	4,174,583	201,397,407
2044	7,600,000	6,376,813	13,976,813	127,445,198	27,298,968	168,720,979	-	168,720,979	3,185,689	171,906,668
2045	7,980,000	5,996,813	13,976,813	131,753,616	22,988,537	168,718,966	-	168,718,966	2,745,570	171,464,535
2046	8,380,000	5,597,813	13,977,813	136,177,234	18,569,151	168,724,198	-	168,724,198	2,745,570	171,469,768
2047	8,820,000	5,157,863	13,977,863	103,406,056	13,840,376	131,224,295	-	131,224,295	2,745,570	133,969,865
2048	9,280,000	4,694,813	13,974,813	71,955,087	10,290,455	96,220,355	-	96,220,355	-	96,220,355
2049	9,770,000	4,207,613	13,977,613	35,145,332	7,691,800	56,814,745	-	56,814,745	-	56,814,745
2050	10,280,000	3,694,688	13,974,688	36,324,796	6,378,900	56,678,384	-	56,678,384	-	56,678,384
2051	10,820,000	3,154,988	13,974,988	31,002,485	5,014,896	49,992,368	-	49,992,368	-	49,992,368
2052	11,390,000	2,586,938	13,976,938	30,128,403	3,753,022	47,858,363	-	47,858,363	-	47,858,363
2053	11,990,000	1,988,963	13,978,963	28,308,556	2,492,954	44,780,472	-	44,780,472	-	44,780,472
2054	12,615,000	1,359,488	13,974,488	7,066,950	1,259,089	22,300,527	-	22,300,527	-	22,300,527
2055	13,280,000	697,200	13,977,200	7,234,590	1,091,603	22,303,392	-	22,303,392	-	22,303,392
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
	\$289,080,000	\$233,174,910	\$522,254,910	\$2,394,373,644	\$1,499,793,998	\$4,416,422,551	(\$163,083,188)	\$4,253,339,364	\$383,145,465	\$4,636,484,828

Notes:

- (1) Preliminary, subject to change.
- (2) Existing Senior Lien Principal and Interest includes estimated amortization of the Series 2020B WIFIA Loan, including the planned capitalization of interest through May 15, 2030. The District anticipates that the final draw will occur in November 2026. The draws on the WIFIA loan are expected to total \$96,926,900, which is the stated par amount of the loan. As of July 29, 2025, \$77,665,000.00 has been drawn on the WIFIA loan. Due to the capitalization of interest until May 15, 2030, the outstanding balance of the WIFIA loan may grow larger than the original stated principal amount. At the last capitalized interest accrual date of May 15, 2025, the outstanding balance of the WIFIA loan was \$79,047,986.42 which represents \$77,665,000.00 of draws and \$1,382,986.42 of capitalized interest.
- (3) Existing Senior Lien Principal and Interest excludes debt service on the District's refunded Series 2015A, Series 2015B, and Series 2016A Bonds and incorporates cash contributions made by the District to the transaction from the Debt Service Fund.
- (4) Due to sequestration, the federal direct payments on the District's Series 2009C Build America Bonds and 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 Series 2010A BABs.
- (5) Includes planned amortization of outstanding commercial paper associated with the District's swap agreements with Bank of America & Wells Fargo. Planned amortization of the outstanding commercial paper is subject to change by the District. 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 which may be outstanding is not incorporated in this schedule as the District expects to re-finance those obligations with permanent financing on a programmatic basis.
- (6) 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 loan payments included are preliminary and subject to change based on the results of loan finalization.

## SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025A BONDS

The Series 2025A 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 in accordance with 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, the Louisville/Jefferson County Metro Government, or the County of Jefferson, Kentucky.

The District has previously issued the Sewer and Drainage System Revenue Bonds currently 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 2025A Bonds.

### *Senior Lien*

As of July 29, 2025

(\$ in thousands)

<i>Series</i>	<i>Final Payment Year</i>	<i>Original Principal Amount</i>	<i>Principal Amount Outstanding</i>
Series 2009C	2040	\$180,000	\$180,000
Series 2010A	2043	330,000	330,000
Series 2014A	2045	80,000	43,970
Series 2015A	2046	175,000	166,120
Series 2015B	2038	81,750	56,565
Series 2016A	2047	150,000	144,290
Series 2016B	2036	28,315	11,235
Series 2017A	2048	175,000	132,565
Series 2018A	2038	60,380	60,380
Series 2020A	2050	225,000	218,655
Series 2020B*	2060	96,927	79,047
Series 2020C	2044	112,065	37,790
Series 2021A	2034	246,555	201,290
Series 2022A	2052	225,000	222,500
Series 2023A	2035	49,745	49,745
Series 2023B	2036	41,950	41,950
Series 2023C	2053	351,975	345,060
Series 2024A	2039	<u>104,280</u>	<u>103,290</u>
Total		<u>\$2,713,942</u>	<u>\$2,424,453</u>

Source: Louisville and Jefferson County Metropolitan Sewer District

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

### *Senior Subordinated Lien*

As of July 29, 2025

(\$ in thousands)

<i>Type</i>	<i>Final Payment Year</i>	<i>Maximum Principal Amount</i>	<i>Principal Amount Outstanding</i>
Commercial Paper	N/A	<u>\$500,000</u>	<u>\$284,870</u>
Total		<u>\$500,000</u>	<u>\$284,870</u>

Source: Louisville and Jefferson County Metropolitan Sewer District

\* As of July 29, 2025, \$77,665,000.00 has been drawn on the WIFIA loan. Due to the capitalization of interest scheduled to occur until May 15, 2030, the outstanding balance of the WIFIA loan may grow larger than the original stated principal amount. As of July 29, 2025, the outstanding balance of the WIFIA loan was \$79,047,986.42, which represents the \$77,665,000.00 of draws and \$1,382,986.42 of capitalized interest.

***Other Subordinated Lien\****

As of July 29, 2025

(\$ in thousands)

<i>Series</i>	<i>Final Payment Year</i>	<i>Original Principal Amount</i>	<i>Principal Amount Outstanding</i>
2014 GO Bonds	2030	\$9,790	\$5,630
2017 GO Bonds	2035	3,561	2,427
KACO	2031	4,000	1,340
SRF A09-41	2033	2,395	1,068
SRF A10-04	2033	2,843	1,274
SRF A10-05	2033	1,000	472
SRF A10-07	2034	2,538	1,203
SRF A11-15	2033	671	301
SRF A12-29	2037	6,500	4,011
SRF A17-028	2044	7,400	7,088
SRF A18-010	2040	1,116	898
SRF A19-015	2042	2,695	2,298
SRF A19-028	2042	24,200	21,675
SRF A21-022	TBD	8,270	7,009 <sup>†</sup>
SRF A23-007	2047	54,006	51,384 <sup>†</sup>
SRF B10-01	2030	500	154
SRF B10-04	2031	500	182
SRF B15-006	2038	<u>87</u>	<u>58</u>
Total		<u>\$132,072</u>	<u>\$82,093</u>

Source: Louisville and Jefferson County Metropolitan Sewer District

**Pledged Property**

The Series 2025A 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 2025A 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 in accordance with the Resolution, and all proceeds of the foregoing. The Series 2025A 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 B – Definitions of Certain Terms and Summary of Provisions of the Resolution” hereto) which may be issued from time to time in accordance with the Resolution.

**Rate Covenant**

The District has covenanted under the Resolution to fix, establish, maintain, and collect rates, fees, rents, and charges for the services of the System, which, together with any 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;

\* Table excludes loans that have been approved but remain undrawn.

† Loan is not fully drawn.

- (iv) to the extent excluded from 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 under 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” excludes reserves for extraordinary maintenance or repair such as extraordinary maintenance, administrative, and engineering expenses of the District that are necessary or incident to capital improvements for which debt has been issued and that 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 that may be paid from the proceeds of any 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 B – Definitions of Certain Terms and Summary of Provisions of the Resolution” hereto 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 D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024 – Comparative Schedule of Debt Service Coverage” hereto.

### **Additional Bonds**

Additional Bonds may be issued on a parity with the Series 2025A Bonds to finance the Cost of Acquisition and Construction of Additional Facilities upon the satisfaction of certain conditions, and 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 (a) setting forth (i) the Net Revenues for any period of twelve consecutive calendar months within the twenty-four calendar months preceding the date of the authentication and delivery of such Additional Bonds, and (ii) the Aggregate Net Debt Service (excluding any Principal Installment or portion thereof which was paid from sources other than Net Revenues) on all Series of Bonds then Outstanding, during the same period for which Net Revenues are computed for clause (a)(i) above, and showing that the amount set forth in clause (a)(i) above is equal to or greater than 110% of the amount set forth in clause (a)(ii) above, and (b) setting forth (i) the Net Revenues (A) for the last full Fiscal Year of twelve months (ending June 30) immediately preceding the date of the authentication and delivery of such Additional Bonds, or (B) for the last twelve consecutive full calendar months immediately preceding the date of the authentication and delivery of such Additional Bonds, at the option of the District, 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 (B) the Additional Bonds then proposed to be authenticated and delivered (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 shall not be computed cumulatively or separately for each particular Series), and showing that the amount set forth in clause (b)(i) above is equal to or greater than 110% of the amount set forth in clause (b)(ii) above. For purposes of computing the amount set forth in clause (b)(i) above, Net Revenues may be increased to reflect the following amounts: (1) any increases in the rates, fees, rents, and other charges for services of the System made after the commencement of such period and before the date of such certificate, (2) any estimated increases in Net Revenues caused by any Project or Projects having been placed into use and operation after the commencement of such period and before 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 clause (b)(i) above, and (3) 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 clause (b)(i) above. For additional information regarding the conditions for the issuance of Additional Bonds, see “APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Additional Bonds” hereto.

### **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) the Construction and Acquisition Fund; (ii) the Revenue Fund; (iii) the Bond Fund, consisting of a Debt Service Account and a Reserve Account; (iv) the Senior Subordinated Debt Fund; and (v) the 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 the Construction and Acquisition Fund. Amounts in the Construction and Acquisition Fund will be applied to pay the Cost of Construction and Acquisition of Projects 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, if any, 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 B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Construction and Acquisition Fund" hereto.

## **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 any 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 under the Resolution, to equal one-twelfth 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 debt service 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 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 before 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) 10% of the face amount of all Bonds issued under the Resolution, (ii) 100% of the maximum Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year, and (iii) 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 before 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 obligation to maintain the Debt Service Reserve Requirement may be satisfied by depositing therein a surety bond, insurance policy, or letter of credit. See "APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Bond Fund – Reserve Account" hereto 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. Under the terms of the Reserve Policy and related agreements, cash and securities on deposit in the Reserve Account must be transferred to the Debt Service Account to pay debt service on Bonds before a draw may be made against 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 to 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 for Senior Debt. See "APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Senior Subordinated Debt Fund" hereto for additional information regarding the Senior Subordinated Debt Fund.

### **Renewal and Replacement Account**

Moneys deposited to the credit of the Renewal and Replacement Account may be applied to the cost of any 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 of the moneys in such Fund if less than the amount necessary) to make up such deficiency. See "APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Renewal and Replacement Account" hereto for additional information regarding the Renewal and Replacement Account.

For additional information with respect to the application of Revenues, see "APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution" hereto.

### **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 by the District, 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 B – Definitions of Certain Terms and Summary of Provisions of the Resolution – Investments" hereto 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 on whether a specified market interest rate index is above or below a specified fixed rate or any other specified market interest rate index during an applicable 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 the 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 such 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 interest rate

swap agreements are unsecured and are 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 various 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 entered into agreements from time to time 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 by 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 "APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution" hereto.

### **Floating-to-Fixed Swap**

In 2001, the District entered into two forward-starting interest rate swaps (the "1999 Swaps") under which the District, beginning in November 2009, 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 secure a fixed rate for an issuance of variable rate debt planned to be issued in 2009 to refund the Series 1999 Bonds near their call date. 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 maturing 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 the portion of the 1999 Swaps that corresponded in amount and amortization 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 which amortizes in amounts that correspond with the expected maturity structure of a future hypothetical bond issue that 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 – Derivative Instruments" in "APPENDIX D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024". As of May 31, 2025, the estimated aggregate mark-to-market value of the non-reversed portion of the 1999 Swaps was approximately negative \$21,373,009.

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 2025A Bonds offered hereunder. 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 any 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 29, 2025, there was issued and outstanding under the Program Note Resolution \$284,870,000 aggregate principal amount of Commercial Paper Notes with an average term to maturity of 11 days and an interest rate of not more than 3.05% per annum.

**THE DISTRICT**

**General**

The District was created and established in 1946 under Chapter 76 of the Kentucky Revised Statutes (“Chapter 76”), as a public body corporate, 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 to construct additions, betterments, and extensions thereto within the limits of the District area, as defined in Chapter 76. The District assumed jurisdiction over and administration of the then-existing sewer and drainage system in the City on November 16, 1946, under 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 Chapter 76.

For additional information regarding the District, including its finances and operations, see “SERVICE AREA,” “RATES AND CHARGES,” “FINANCIAL OPERATIONS,” “CAPITAL IMPROVEMENT PLAN,” “RECENT AND PENDING TRANSACTIONS,” and “PENDING LITIGATION” herein, and “APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District,” “APPENDIX D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024,” and “APPENDIX E – Interim and Unaudited Financial Statements of the District for the Fiscal Period Ended May 31, 2025” hereto.

**Administration and Management of the District**

The business, activities, and affairs of the District are managed, controlled, and conducted by its Board, which is comprised of eight members appointed by the Mayor of the Louisville/Jefferson County Metro Government to serve for a term of three years. The current members of the Board and their respective terms are as follows:

<i><b>Board Members</b></i>	<i><b>Term Expires</b></i>
Ricky Mason (Chair)	July 31, 2025 <sup>†</sup>
John Selent (Vice-Chair)	July 31, 2027
Christopher Burckle	July 31, 2026
Gerald Joiner	February 28, 2027
Jeff Mosley	July 31, 2026
Marita Willis	June 30, 2025 <sup>†</sup>
Lonnie Wright	July 31, 2026
Brad Wilcox	July 31, 2027

<sup>†</sup> Continuing to serve until the District receives notice of their reappointment or replacement from the Louisville/Jefferson County Metro Government.

The Board has delegated and placed the conduct of the District's day-to-day business affairs 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 thirty years in the public utility business, including ten years in the top leadership role of the Metropolitan Sewer District of Greater Cincinnati. He holds a Communications Degree from Georgetown College and serves on various national boards and committees. On December 19, 2022, the District extended Mr. Parrott's employment agreement to serve as Executive Director through September 13, 2030.

*Carmen Moreno-Rivera, Chief Administrative Officer/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, plus degrees in engineering and management.

*Brad Good, Chief Financial Officer*

Brad Good joined the District in 2016 as the Controller and he was promoted to Chief Financial Officer in 2020. His previous experience includes fifteen 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 Operations Officer – Wastewater Conveyance, Drainage, and Flood Protection*

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 twenty 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.

*Kimberly Reed, Chief Operations Officer – Wastewater Treatment*

Kimberly Reed joined the District in 2019 as the Chief Innovation Officer and was named Chief Operations Officer – Wastewater Treatment in May 2025. She previously worked for the Louisville Water Company in various leadership positions. She has had a diverse career of over twenty years in the electric, gas, water, and wastewater utility industries. Ms. Reed has a Bachelor of Science degree in Chemical Engineering and a Master of Business Administration degree, both from the University of Louisville.

*David Johnson, Chief Engineer*

David Johnson joined the District in 1998 and has spent his career in various positions within the Engineering Division. He most recently served as 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 degree and a Master of Engineering degree from the J.B. Speed School of Engineering at the University of Louisville. On February 24, 2025, the District extended Mr. Johnson's employment agreement to serve as Chief Engineer through 2030.

*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 twenty years of experience in state and local government as the following: (i) Chief Equity Officer, General Counsel and Legislative Liaison, and Director of Human Resources in the Office of the Mayor of the Louisville/Jefferson County Metro Government; (ii) Executive Director for the Office of Civil Rights and Small Business and Director of Personnel Management for the Kentucky Transportation Cabinet; (iii) Executive Director of the Louisville Metro Human Relations Commission; and (iv) Director of the Office of Affirmative Action for the City of Louisville. Before 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 with Peck,

Shaffer and Williams LLP in Cincinnati, Ohio. Ms. Watson holds a Bachelor of Science degree in Political Science with a concentration in Policy Analysis from the University of Louisville and a Juris Doctorate degree from the Vanderbilt University School of Law.

*Angela Akridge, Chief Strategy Officer*

Angela Akridge began working for the District as an engineering cooperative education intern and joined the District as a full-time employee upon completion of her Bachelor of Science and Master of Engineering degrees in Civil Engineering from the J.B. Speed School of Engineering at the University of Louisville. Ms. Akridge was appointed as Chief Engineer in 2015 and became Chief Strategy Officer for Business Transformation and Regulatory Compliance in 2019. Throughout her career at the District, Ms. Akridge has served the community through multiple leadership, management, and technical positions.

*Paul Bagley, Chief Information Officer*

Paul Bagley has been the Chief Information Officer of the District since April 2021. His previous experience includes various information technology leadership positions and technical positions in the software, airline, and utility industries. Mr. Bagley has over twenty years of experience in the field of information technology. He holds a Bachelor of Science degree in Industrial Engineering from the Georgia Institute of Technology.

*Adrienne Henderson, Chief Human Resources Officer*

Adrienne Henderson serves as the Chief Human Resources Officer of the District and is responsible for leading the strategic direction and execution of all human capital initiatives across the organization, including talent acquisition and retention, workforce planning, organizational development, employee engagement, total rewards, performance management, and HR operations. In this role, she also partners with the executive leadership of the District to align the District's people strategies with its business goals. Ms. Henderson holds a Bachelor of Arts degree in Political Science from the University of Kentucky, a Master of Science degree in Business Management from Indiana Wesleyan University, and a Juris Doctorate degree from the University of Louisville Brandeis School of Law, and is a professional member of the Kentucky Bar Association admitted to practice law in the Commonwealth of Kentucky.

*Sharise Horne, Chief of Equity & Community Partnerships*

Sharise Horne serves as Chief of Equity and Community Partnerships of the District and is responsible for overseeing inclusive and comprehensive programs that foster partnerships and job creation with communities within the District's service area. She is also 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, and also serves on various local and national 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. She has spent most of her tenure in the Procurement and Supplier Diversity space. Ms. Lindsay is a certified public procurement officer and has a Bachelor of Science degree in Business Administration from Spalding University.

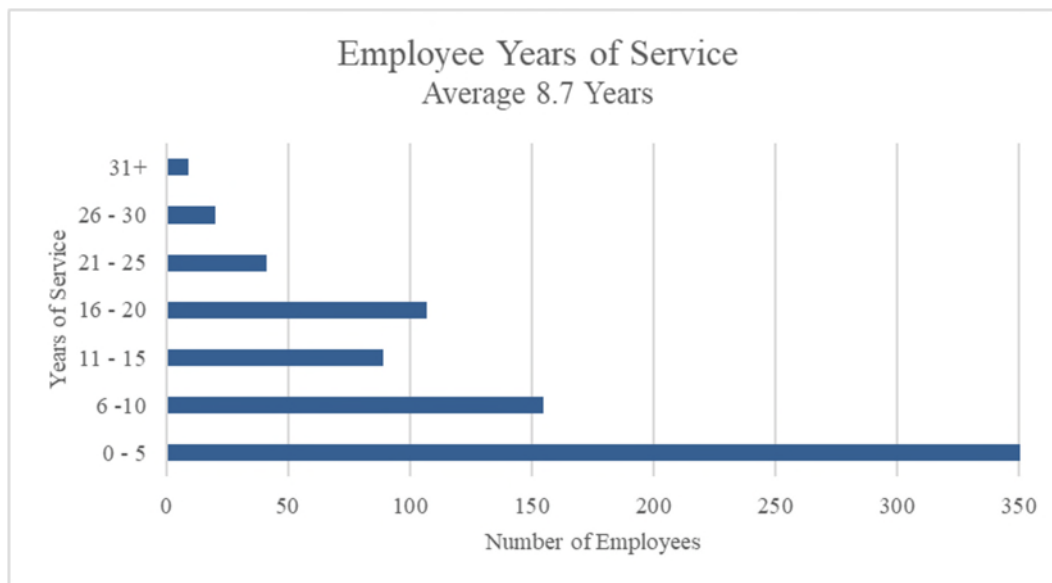
*Wesley Sydnor, Chief of Government & Public Affairs*

Wesley Sydnor, PE, has been employed by the District since 2008 and currently serves as the Chief of Government and Public Affairs. He holds a Bachelor of Science degree and a Master of Engineering degree in Civil Engineering from the J.B. Speed School of Engineering at the University of Louisville and is a member of various professional associations and environmental boards throughout the community. Mr. Sydnor 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 2026 is 888. As of April 30, 2025, the District had 780 full-time employees. Of the District's employees, 316 are represented by one of two labor unions: (i) the Laborers International Union of North America Local 576, which operates under a collective bargaining agreement which became effective on March 1, 2023, and expires on February 28, 2028, or (ii) the National Association of Government Employees Local 189, which operates under a collective bargaining agreement which became effective on February 19, 2022, and expires on 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. As provided by the Kentucky Revised Statutes, contribution rates shall be determined by the KPPA Board based upon an annual valuation as of the last preceding July 1 of a new biennium. For the fiscal year ended June 30, 2025, participating CERS employers contributed 19.71% (19.71% allocated to pension and 0.0% 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, 2025. As of June 30, 2024, the District has an unfunded pension liability of \$109,753,514 and an other post-employment benefits asset of \$3,177,301.

### **Risk Management and Insurance**

The District is exposed to various risks of loss related to torts, theft, damage, destruction of assets, natural disasters, and injuries to 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, 2025, and expire June 30, 2026.

### **Risks from Unexpected Events**

#### ***Climate Change Storm Risk***

One of the objectives of the District’s current Facility Plan (see “CAPITAL IMPROVEMENT PLAN – Facility Plan” herein) 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 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 the 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 ten-year storm. The Facility Plan also provides guidance on reducing (but not eliminating) the risk associated with localized, unusual weather events. Therefore, the Facility Plan 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 such 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, including, but 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 District’s cybersecurity program every three years, annual assessment of District’s 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 various activities and programs, including, but not limited to, monthly vulnerability scanning and mitigation, continuous security monitoring and anomaly detection, cybersecurity awareness and training programs, robust patch management program, testing and 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 is comprised of Directors or Chiefs from Legal, HR, and Operations Records, Internal Audit, and IT. 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 is comprised of the Executive Director (Chair) of the District 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 three years. The findings from the 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 also reviews and updates the Information Security Policy and the Acceptable Use of Technology Policy every three 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 that 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 (“EPA”) has delegated authority to issue NPDES permits to the Kentucky Energy and Environment Cabinet (“EEC”). Thus, the District is also governed by Chapter 224 of the Kentucky Revised Statutes and the applicable regulations promulgated thereunder. Specifically, Chapter 5, Chapter 9, Chapter 10, and Chapter 11 of Title 401 of the Kentucky Administrative Regulations (“KAR”) apply to the District. The Kentucky Pollutant Discharge Elimination System (“KPDES”) permits are issued by EEC’s Division of Water. Under 401 KAR Chapter 5, the District holds twenty 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 five-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 delegated the NPDES permit program to EEC, 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 (“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, under Chapter 77 of the Kentucky Revised Statutes.

### ***Enforcement Actions***

In addition to the federal Consent Decree (see “CAPITAL IMPROVEMENT PLAN” herein), 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 its pump stations and treatment facilities. The District entered into an Agreed Order with EEC to ensure that 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 to 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 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 an Agreed Board Order with APCD to address community odor complaints, which required the District to develop and implement a county-wide Odor Control Master Plan focusing on the 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 tasks for the agreed order have been completed. In August 2024, APCD and the District entered into a Second Amended Agreed Board Order. Under the Second Amended Agreed Board Order, the District (i) will continue to identify, evaluate, and implement odor control projects at its water quality treatment plants and in the collection system based on available funds and project feasibility, and (ii) committed to (a) submitting three action plans to APCD covering Fiscal Years 2025-2026, 2027-2028, and 2029-2030, which identify the odor control projects associated with each fiscal biennium, and (b) providing regular updates to its Board, APCD, and the community on the implementation of the action plans.

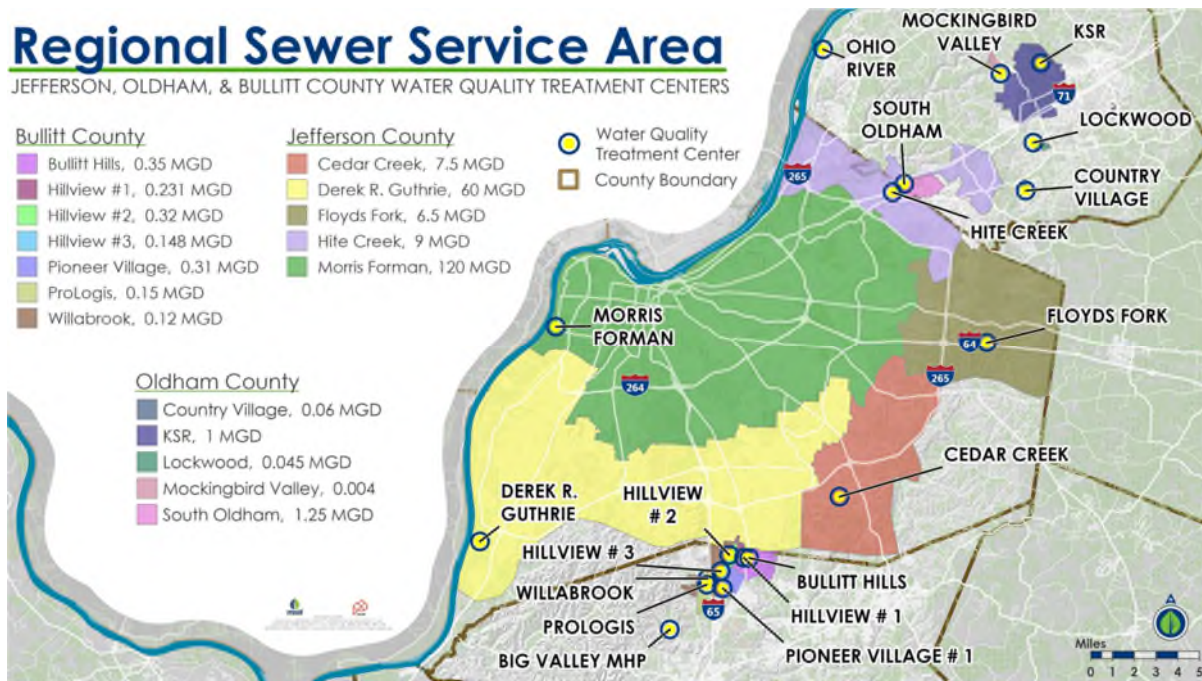
### ***Future Regulatory Obligations***

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 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, 5 regional Water Quality Treatment Centers, and an estimated

1,400 miles of lateral connections to buildings. Through interlocal 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, 2024, the most recent available data, was as follows:

#### Wastewater Treatment Plant Capacity

Plant	Current Capacity (MGD) <sup>1</sup>	Avg Daily Flow (MGD) <sup>1</sup>	Eventual Capacity (MGD) <sup>1</sup>	Customer Base			Year Total	Built	Treatment Process
				Residential	Commercial	Industrial			
Morris Forman	120.0	79.2	120.0	119,569	13,877	304	133,750	1958	Secondary <sup>2</sup>
Derek R. Guthrie	60.0	36.2	60.0	64,619	3,900	49	68,568	1986	Secondary
Hite Creek	9.0	4.5	9.0	11,188	693	9	11,890	1970	Tertiary: sand filter
Cedar Creek	7.5	5.2	11.3	19,449	1,118	14	20,581	1995	Tertiary: sand filter
Floyd's Fork	6.5	3.7	9.8	11,118	619	9	11,746	2001	Tertiary: sand filter
Oldham County Plants	4.3	0.2	4.3	5,245	41	1	5,287	Varies	
Bullitt County Plants	1.7	0.2	1.7	4,032	116	1	4,149	Varies	
<b>Total Treatment System</b>	<b>209.0</b>	<b>129.2</b>	<b>216.0</b>	<b>235,220</b>	<b>20,364</b>	<b>387</b>	<b>255,971</b>		

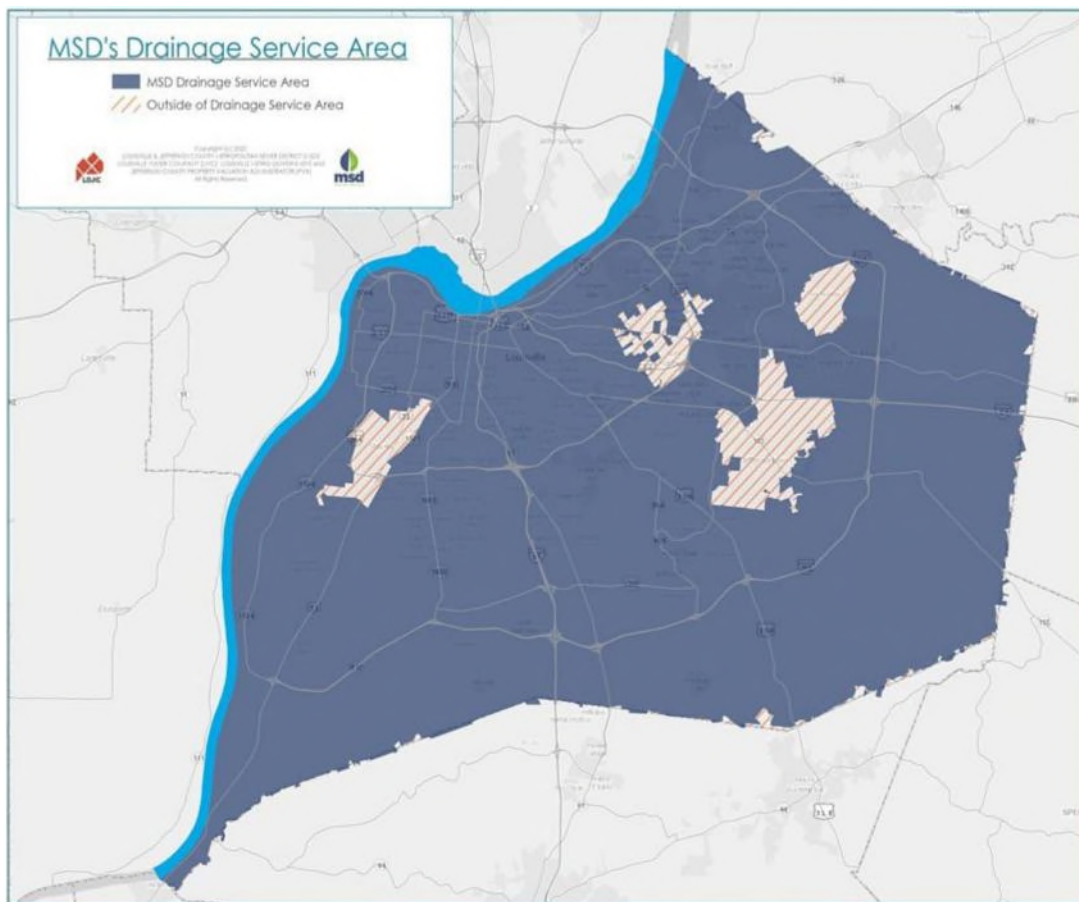
<sup>1</sup> MGD: Million Gallons per Day.

<sup>2</sup> Added in 1976.

Source: Louisville and 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, and replacement of, and improvements and additions to, the 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

The District provides wastewater collection, treatment, and disposal services to a service area that includes Jefferson County and portions of Oldham County and Bullitt County (for a map of the District’s wastewater service area, see “THE DISTRICT – The Wastewater System” herein), and provides flood control and storm water drainage services to a service area within Jefferson County (for a map of the District’s Drainage Service Area, see “THE DISTRICT – The Drainage System” herein). Both the wastewater and drainage service areas are part of the Louisville Metropolitan Statistical Area (the “Louisville MSA”). Additional demographic and employment information with respect to the Louisville MSA can be found in “APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Service Area Information” hereto.

## RATES AND CHARGES

### Wastewater Service and Drainage Service Charges

The District derives its revenue for its wastewater service and drainage service from the collection of rates, rentals, and charges established in accordance with the provisions of Chapter 76 for services rendered within the service area to customers served by the facilities of the District. 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 upon 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. Upon nonpayment of any wastewater rates, rentals, or charges for a period of more than thirty 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 currently being converted to monthly billing in cycles, with all customers expected to 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 the Oldham County Water District. Wastewater service rates for these customers are billed and collected by the 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 the Oldham County Water District and to the District. All bills not paid on or before the past due date shall be deemed delinquent and will be provided a final written notice. If the delinquent bill is not paid within ten days after the date of such final notice, water service may be discontinued. All Oldham County Water District customers are billed monthly.

Additional information regarding the historical wastewater and drainage revenues of the District and the historical wastewater volume charges billed by the District is set forth in "APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Rates and Charges – Wastewater Service and Drainage Service Charges" hereto.

### **Rate Making Process**

In order 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 thirty days, and then adopts a final rate resolution. The Metro Government Code of Ordinances provides that if 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 times debt service coverage, provided that the aggregate of the adjustments for any twelve-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 of the Louisville/Jefferson County Metro Government at least sixty days before the approval of the Board. Any rate increase that would generate additional revenue from wastewater and drainage service charges in excess of 7% for a twelve-month period requires the approval of the Metro Council of the Louisville/Jefferson County Metro Government. "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 the Oldham County Environmental Authority under the terms of an Interlocal Cooperation Agreement entered into on November 18, 2019. For fiscal year 2023, and in each year thereafter, the District will increase wastewater rates by no more than 5% annually until such rates equalize with Jefferson County rates. As of June 30, 2024, the District has 7,182 wastewater customers in Oldham County, which represents 2.7% of the District's total wastewater customers. Annual revenues for the District's Oldham County service area totaled \$7.3 million, or 2.3% of the District's total wastewater revenues. The five-year capital improvement plan for Oldham County totals \$32 million, or 2.4% of the total capital improvement plan of the District.

On November 30, 2021, the District acquired the wastewater system of the Bullitt County Sanitation District including the Big Valley and Hunters Hollow systems under 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 before 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 the Bullitt County Fiscal Court on February 7, 2017. Starting on January 1, 2027, and in each year thereafter, the District will increase wastewater rates by no more than 3% annually until such rates equalize with Jefferson County rates. As of June 30, 2024, the District had 4,761 wastewater customers in Bullitt County, which represents 1.8% of the District's total wastewater customers. Annual revenues for the District's Bullitt County service area totaled \$4.7 million, or 1.5% of the District's total wastewater revenues. The five-year capital improvement plan for Bullitt County totals \$84.3 million, or 6.3% of the total capital improvement plan of the District.

On December 16, 2024, the Board approved a 12% increase in wastewater service and volume charges for the District's Bullitt County service area, effective January 1, 2025.

On May 27, 2025, the Board approved a preliminary 4.9% increase in wastewater and drainage service charges for the District's Jefferson County service area, effective August 1, 2025. On July 28, 2025, the Board adopted a final rate resolution, approving a 3.9% rate increase for the District's Jefferson County service area, effective September 1, 2025.

On May 27, 2025, the Board approved a preliminary 2% increase in wastewater service and volume charges for the District's Oldham County service area, effective August 1, 2025. On July 28, 2025, the Board adopted a final rate resolution, approving a 2% rate increase for the District's Oldham County service area, effective September 1, 2025.

Additional information with respect to the District's rate history, collections, delinquent customer balances, customer growth, historical customer totals, and top 10 wastewater and drainage customers is set forth in "APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Rates and Charges" hereto.

## **Legislative Updates**

On February 6, 2025, House Bill 387 was introduced in the 2025 Regular Session of the Kentucky General Assembly ("HB 387"). In its original form, HB 387 would have required approval by the Metro Council of the Louisville/Jefferson Metropolitan Government for any proposed change to the District's rates, rentals, or charges that would have generated additional revenue in excess of the percent increase in CPI for the two most recent calendar years. HB 387 was then amended by Committee Substitution to remove the requirement and thereafter was passed by the Kentucky House of Representatives. The revised version prohibited the use of the District's revenues for expenditures such as sponsorships, certain forms of advertising, certain forms of bonus compensation, and club memberships for employees and board members of the District. HB 387 failed to be assigned to a Senate Committee and did not become law.

## **FINANCIAL OPERATIONS**

### **Historical Financial Operations**

The District derives its revenues primarily from customer payments for wastewater and stormwater services, which accounts for approximately 97% 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 3% of operating revenues. Non-operating revenues of the District 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 the budget, and capital spending to management and the Board. The table set forth in "APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Financial Operations – Historical Financial Operations" hereto presents the District's historical revenues, expenses, and changes in net position using information contained in the District's audited financial statements for fiscal years 2020 through 2024, the most recent years available. The District's audited financial statements for fiscal year 2024 are found in "APPENDIX D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024." The interim unaudited financial statements of the District for the fiscal period ended May 31, 2025 are found in "APPENDIX E – Interim and Unaudited Financial Statements of the District for the Fiscal Period Ended May 31, 2025."

For information regarding the District's historical pledged revenue coverage for the last five fiscal years, see "APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Financial Operations – Historical Financial Operations" hereto.

### **Projected Financial Operations**

The projected revenues and expenses of the District for the current and future fiscal years are presented in the table contained in "APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Financial Operations – Projected Financial Operations" hereto. The projected revenues presented therein reflect the increases in rates and charges adopted by the District for fiscal year 2025 and the anticipated increases in the District's rates and charges for fiscal years 2026 through 2030. The projected financial results of the District for fiscal years 2026 through 2030 incorporate assumptions as of the date of this Official Statement. The projected debt service requirements include estimated debt service for the Series 2025A Bonds.

The information presented herein regarding the projected revenues and expenses of the District constitutes a "forward looking statement" under federal securities law. Actual revenues or 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 Board will approve any proposed revisions of the District's Schedule of Rates, Rentals, and Charges. In general, important factors which could cause actual results to materially differ from the revenues or expenses presently estimated include, but are not limited to, any material changes in the size and composition of the District's service area, unanticipated changes in law, unanticipated material litigation, material downturn in economic activity, the efficiency of the District's operations, and the capital construction and expenditure plans and results of the District.

## CAPITAL IMPROVEMENT PLAN

### General

Each year, the District adopts a five-year Capital Improvement Plan (the “CIP”) (i) to deliver core services, (ii) to comply with regulatory requirements, and (iii) to renew, rehabilitate, and replace critical system assets. Projects within 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.

Additional information regarding the District’s current five-year CIP can be found in “APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Capital Improvement Plan” hereto.

### 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”). The Consent Decree created the framework for a nineteen-year program to (i) manage and mitigate the District’s combined sewer overflows (“CSO”), and (ii) eliminate the District’s sanitary sewer overflows (up to a certain storm event). In 2009, the Consent Decree was amended in order to address recordkeeping and Water Quality Treatment Center bypasses and treatment performance (the “Amended Consent Decree”).

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 District’s 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 within 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. The 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 CSO 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 the CMOM 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 the 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 \$1.6 billion designing and constructing many of the IOAP projects and completing other projects required by the Consent Decree and Amended Consent Decree. These projects have 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, Series 2023C, and Series 2024A.

All scheduled milestones on IOAP projects to mitigate sewer overflows across the District’s 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 the District's compliance with the Consent Decree and 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 the rehabilitation of the District's aging biosolids systems, failing sewer interceptors, and flood protection system. The District, the federal government, and the Commonwealth of Kentucky negotiated the Second Amended Consent Decree (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 five-year CIP. These financial commitments are achievable within the District's rate increase authority of 7.0% per year. The United States District Court granted final approval of the Second Amended Consent Decree on September 14, 2022. For additional information regarding the Amended Consent Decree and the Second Amended Consent Decree, see "PENDING LITIGATION" herein.

## **Facility Plan**

The District's twenty-year Comprehensive Facility Plan (the "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 will face in the future, and has developed a roadmap to protect the area's health, economic vitality, and environment. The recommendations provided in the Facility 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 law in 1946. Fully implementing the Facility Plan recommendations will accomplish the following wastewater service objectives:

- Fulfill the obligations of the Consent Decree, as amended by the Amended Consent Decree and Second Amended 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. Despite the District's investment of 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 the District's drainage and interior floodplain management systems. While current development standards require mitigation of the drainage impacts of land use changes, an analysis of historical trends reveals a significant reduction in natural green space and an increase in impervious services which do not allow stormwater to seep into the ground. Runoff from these 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 (the “ORFPS”) was developed in response to the flood of 1937. This system of levees, floodwalls, and flood pumping stations has protected Louisville from floods since it became operational in the 1950s. Although the ORFPS has an outstanding record of reliability, much of the system is now 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 ORFPS’ flood pumping stations and related appurtenances. Implementing the Facility Plan recommendations will accomplish the following objectives of the ORFPS:

- 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 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 the 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 to be completed by the Consent Decree (as amended to date), 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 during the twenty-year planning period, the projects will be deferred to the future, when funding becomes available.

## **RECENT AND PENDING TRANSACTIONS**

On March 15, 2021, the District issued to the EPA, under the General Bond Resolution, 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”) relating to the Series 2020B Bonds prohibits the District from incurring any 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 posted by the District on March 26, 2021 on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website, which notice is available at the following hyperlink: <https://emma.msrb.org/P11479931-P1147049-P11561056.pdf>. The District began drawing on the Series 2020B Bonds in December 2023.

On July 2, 2021, the Kentucky Infrastructure Authority (“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 entered into an Assistance Agreement for the loan in July 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 a maximum outstanding principal amount of \$500,000,000, consisting of Commercial Paper Notes and Direct Purchase Notes. The initial maximum maturity date 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 July 6, 2023, KIA approved a loan to the District for the Bullitt Hills and Hillview wastewater treatment plants and a 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 January 16, 2024, KIA approved a loan (“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 entered into an Assistance Agreement for the loan in August 2024.

On July 11, 2024, KIA approved a \$26,222,500 increase to Loan A23-007 for the Paddy’s Run Flood Pumping Station Capacity Improvements project, bringing the total amount of Loan A23-007 to \$54,006,047. The District entered into an Assistance Agreement for the loan increase in October 2024.



On March 7, 2025, the District received a conditional commitment letter from KIA to increase Loan A23-007 for the Paddy's Run Flood Pumping Station Capacity Improvements project. The total amount of the loan increase is \$20,000,000 and will bring the total amount of Loan A23-007 to \$74,006,047. The District entered into an Assistance Agreement for the loan increase in July 2025.

### **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 2025A Bonds or the implementation of the plan of financing described herein, or in any way contesting or affecting the validity of the Series 2025A 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 2025A Bonds, the pledge or application of any moneys or securities provided for the payment of the Series 2025A Bonds or the existence or powers of the District insofar as they relate to the authorization, sale, and issuance of the Series 2025A 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, the Commonwealth of Kentucky, and the United States of America reached an agreement on important modifications to the Amended Consent Decree entered by the United States District Court for the Western District of Kentucky, Louisville Division, on April 15, 2009, 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 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 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 original Consent Decree on August 12, 2005, the District has spent approximately \$1.6 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 2025A Bonds is subject to the approval of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel, whose approving opinion will be delivered with the Series 2025A 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 this Official Statement entitled “THE SERIES 2025A BONDS,” “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025A BONDS,” “FUNDS AND ACCOUNTS,” and “TAX TREATMENT,” and incident to “APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution” hereto, and is of the opinion that the statements contained therein are, as to law and legal conclusions, correct and that such sections and such Appendix fairly summarize the contents of documents described therein. 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 Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, the interest on the Series 2025A Bonds will be excludible from gross income for federal income tax purposes under the Code. In addition, Bond Counsel is also of the opinion that the interest on the Series 2025A Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “TAX TREATMENT – Corporate Alternative Minimum Tax” herein). Further, Bond Counsel is of the opinion that interest on the Series 2025A Bonds will be exempt from Kentucky income taxation and that the Series 2025A Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the Series 2025A Bonds, from gross income for federal income tax purposes. The District has covenanted to comply with certain restrictions designed to ensure that the interest on the Series 2025A Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Series 2025A Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date of the Series 2025A 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 any events occurring (or not occurring) after the date of issuance of the Series 2025A Bonds may adversely affect the tax status of the interest on the Series 2025A Bonds.

Certain requirements and procedures contained or referred to in the Series 2025A Bonds and in any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Series 2025A 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 2025A Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that the interest on the Series 2025A Bonds will be excludible from gross income for federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2025A Bonds may otherwise affect a Bondholder’s federal, state, or local tax liabilities. The nature and extent of such tax consequences may depend on the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Series 2025A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2025A Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such consequences may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Series 2025A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers under Section 265 of the Code. Finally, residence of a holder of the Series 2025A 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 or other income from the Series 2025A Bonds.

The District has *not* designated the Series 2025A Bonds as “qualified tax-exempt obligations” under and within the meaning of Section 265 of the Code.

## **Original Issue Premium**

“Acquisition Premium” is the excess of the cost of any 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 call date. The Series 2025A Bonds that bear an interest rate which is higher than the yield (as shown on the cover page hereof), are initially being offered and sold to the public at an Acquisition Premium (the “Premium Bonds”). For federal income tax purposes, the amount of the Acquisition Premium on each bond, the interest on which is excludable from the gross income of the holder thereof for federal income tax purposes (the “tax-exempt bonds”), is required to be amortized and will reduce the bondholder’s adjusted basis in the bond. However, no amount of amortized Acquisition Premium on any tax-exempt bonds may be deducted in determining a bondholder’s taxable income for federal income tax purposes. The amount of Acquisition Premium paid on the Premium Bonds, or any other Series 2025A 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 that semiannual period on a daily basis.

Holders of any Series 2025A Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

## **Original Issue Discount**

The Series 2025A Bonds with a yield which is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable on such Series 2025A Bonds at maturity (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond is added to the purchaser’s tax basis for purposes of determining the gain or loss at the maturity, redemption, sale, or other disposition of the Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, OID that accrues in each year to the owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

## **Corporate Alternative Minimum Tax**

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than any S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on tax-exempt bonds, including the interest on the Series 2025A Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purpose of determining whether a particular corporation qualifies as an “applicable corporation,” and (ii) in determining an applicable corporation’s “adjusted financial statement income” for the purpose of calculating the alternative minimum tax to be imposed on such applicable corporation under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

## **FINANCIAL STATEMENTS**

The District's financial statements for the Fiscal Year ended June 30, 2024 included in "APPENDIX D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024" hereto, 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, 2025 are included in "APPENDIX E – Interim and Unaudited Financial Statements of the District for the Fiscal Period Ended May 31, 2025" hereto, which is an integral part of this Official Statement.

## **VERIFICATION AGENT**

Before the delivery of the Series 2025A 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 and Refunded Notes. 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 and Refunded Notes. 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 Ratings ("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 2025A Bonds. Such ratings reflect 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 2025A Bonds.

## **UNDERWRITING**

The Series 2025A Bonds are being purchased for reoffering by [\_\_\_\_\_] (the "2025A Underwriter"). The 2025A Underwriter has agreed to purchase the Series 2025A Bonds at an aggregate purchase price of \$[\_\_\_\_\_] (representing the \$[\_\_\_\_\_] par amount of the Series 2025A Bonds, [plus/less] original [net] issue [premium/discount] of \$[\_\_\_\_\_] and less underwriter's discount of \$[\_\_\_\_\_]). The initial public offering price, which produces the yield set forth on the inside cover page of this Official Statement, may be changed by the 2025A Underwriter and the 2025A Underwriter may offer and sell the Series 2025A Bonds to certain dealers (including dealers depositing Series 2025A Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover page hereof.

## **MUNICIPAL ADVISOR**

PFM Financial Advisors LLC (the "Municipal Advisor"), has been engaged as the independent registered municipal advisor to the District in connection with the issuance of the Series 2025A Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2025A Bonds is contingent upon the issuance and delivery thereof. PFM Financial Advisors LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents concerning the federal income tax status of the Series 2025A 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 Municipal Advisor.

## **CONTINUING DISCLOSURE**

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District will agree, under a Continuing Disclosure Certificate to be dated and delivered as of the date of the issuance and delivery of the Series 2025A Bonds (the "Disclosure Certificate"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), certain annual financial information and operating data for the District, including audited financial statements of the District prepared in accordance with generally

accepted accounting principles as applied to governmental units, generally consistent with the operating data and financial information regarding the District contained herein under the heading “THE DISTRICT” and in “APPENDIX A – Louisville and Jefferson County Metropolitan Sewer District – Rates and Charges – Rate History” and “APPENDIX D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024” hereto, and 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, 2025; 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 District;

- (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 Series 2025A 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 (IRS) of any 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 any 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 any 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 – This event is considered to occur when any of the following occur: The appointment of any 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 any court or governmental authority has assumed jurisdiction over substantially all of the assets or business of an obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession of the assets or business of the obligated person 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 under 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 any 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 2025A Bonds, including beneficial owners of the Series 2025A Bonds, with certain enforcement rights in the event of any failure by the District to comply with the terms thereof; provided, however, that a default under the Disclosure Certificate shall not constitute an event of default under the Resolution. The Disclosure Certificate may be amended or terminated under certain circumstances in accordance with the Rule, as more fully described therein. Holders of the Series 2025A Bonds

are advised that the Disclosure Certificate, the form of which is obtainable from the Municipal 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 Series 2025A Bonds; and
- (iii) there are no liquidity providers applicable to the Series 2025A Bonds.

In accordance with 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. On May 22, 2023, the District executed an Amended and Restated Continuing Disclosure Certificate which amended and restated certain Existing Undertakings to exclude the District’s Annual Additional Revenues from Rate Increases from the operating data required to be disclosed thereunder in light of the difficulty of accurately calculating such additional revenues due to the uncertainty and complexity of the assumptions required to make such a calculation.

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 with respect to 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 ratings of the 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 2025A Bonds.

[Signature page to follow]

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

**LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT**

By: /s/ \_\_\_\_\_  
Ricky Mason,  
Chair

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

**APPENDIX A**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**



## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### SERVICE AREA INFORMATION

The combined area of the former City of Louisville, Kentucky and Jefferson County, Kentucky (collectively, “Louisville Metro”) is located in north-central Kentucky along the south bank of the Ohio River. Louisville Metro is the largest city in Kentucky and is the core of the Louisville/Jefferson County, KY-IN Metropolitan Statistical Area (the “Louisville MSA”) which is comprised of Louisville Metro, plus Bullitt County, Henry County, Meade County, Nelson County, Oldham County, Shelby County, and Spencer County, Kentucky, and Clark County, Floyd County, Harrison County, and Washington County, 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 adjacent counties in Kentucky and Indiana.

The following table lists U.S. Census Bureau’s annual population estimates for Louisville Metro and the Louisville MSA over the last five decades.

#### Annual Population Estimates as of March 14, 2025

Year	Louisville Metro <sup>1</sup>	Louisville MSA <sup>2</sup>
1970	695,055	990,050
1980	684,648	1,054,048
1990	666,048	1,055,973
2000	694,213	1,165,132
2010	742,096	1,204,684
2015	765,322	1,246,817
2016	767,770	1,253,093
2017	770,383	1,260,344
2018	768,706	1,262,810
2019	767,785	1,266,200
2020	782,896	1,363,012
2021	777,624	1,361,854
2022	773,329	1,365,960
2023	783,381	1,377,729
2024	793,881	1,394,234

<sup>1</sup> Source: <https://fred.stlouisfed.org/series/KYJEPOP>

<sup>2</sup> Source: <https://fred.stlouisfed.org/series/LOIPOP>

According to the Bureau of Labor Statistics, Louisville MSA employment was at 681,197 jobs in May 2025, as compared to 669,558 jobs in May 2024, an increase of 1.7%, and the unemployment rate in the Louisville MSA was at 3.9% in May 2025, as compared to 4.2% in May 2024. In addition, according to the Bureau of Labor Statistics, Louisville Metro employment was at 383,920 jobs in May 2025, as compared to 377,604 jobs in May 2024, an increase of 1.6%, and the unemployment rate in Louisville Metro was at 4.2% in May 2025, as compared to 4.4% in May 2024.

The following table lists the 10 largest employers in the Louisville MSA, by number of local full-time employees.

#### Louisville MSA’s Largest 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, a Haier Company	8,400
9	University of Louisville	7,302
10	Walmart	7,000

Source: Louisville Business First, July 2024 Edition

## RATES AND CHARGES

### Wastewater Service and Drainage Service Charges

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

#### Historical Wastewater Revenue

(\$ in thousands)

Fiscal Year	Residential	Commercial	Industrial	Other	Total
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
2024	\$177,021	\$100,777	\$32,590	\$3,439	\$313,827

Source: Louisville and Jefferson County Metropolitan Sewer District

#### Historical Drainage Revenue

(\$ in thousands)

Fiscal Year	Residential	Commercial	Industrial	Other	Total
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
2024	\$37,203	\$54,441	\$6,870	\$1,851	\$100,365

Source: Louisville and Jefferson County Metropolitan Sewer District

The wastewater volume charges billed by the District (by customer type and by service area) for the five most recent fiscal years for which data are available were as follows:

#### Historical Wastewater Volume Charges Billed (By Customer Type)

(\$ in thousands)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 <sup>1</sup>
<b>Residential</b>					
Number of Billings	1,609	2,022	2,022	2,138	1,813
Consumption (CON) Billed	12,203	12,128	12,128	11,910	9,165
Dollars	\$55,956	\$57,825	\$61,458	\$65,632	\$53,829
<b>Commercial</b>					
Number of Billings	139	178	178	189	160
Consumption (CON) Billed	9,715	11,047	11,047	10,773	8,138
Dollars	\$46,407	\$54,301	\$59,823	\$63,182	\$52,978
<b>Industrial</b>					
Number of Billings	4	4	4	4	3
Consumption (CON) Billed	2,910	3,196	3,196	3,066	2,190
Dollars	\$13,388	\$14,625	\$15,908	\$17,860	\$14,661
<b>Total</b>					
Number of Billings	1,752	2,204	2,204	2,331	1,976
Consumption (CON) Billed	24,828	26,371	26,371	25,749	19,493
Dollars	\$115,751	\$126,751	\$137,189	\$146,674	\$121,468

<sup>1</sup> Fiscal Year 2025 data as of May 31, 2025.

Source: Louisville and Jefferson County Metropolitan Sewer District

**Historical Wastewater Volume Charges Billed**  
**(By Service Area)**  
(\$ in thousands)

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025<sup>1</sup></b>
<b>Bullitt County</b>					
Number of Billings	–	37	37	35	26
Consumption (CON) Billed	–	210	210	216	160
Dollars	–	\$1,095	\$2,125	\$2,306	\$1,935
<b>Jefferson County</b>					
Number of Billings	1,701	2,109	2,109	2,238	1,905
Consumption (CON) Billed	24,546	25,858	25,859	25,221	19,091
Dollars	\$113,404	\$123,332	\$133,027	\$142,307	\$117,843
<b>Oldham County</b>					
Number of Billings	51	58	58	58	45
Consumption (CON) Billed	282	303	302	312	242
Dollars	\$2,347	\$2,324	\$2,037	\$2,061	\$1,690
<b>Total</b>					
Number of Billings	1,752	2,204	2,204	2,331	1,976
Consumption (CON) Billed	24,828	26,371	26,371	25,749	19,493
Dollars	\$115,751	\$126,751	\$137,189	\$146,674	\$121,468

<sup>1</sup> Fiscal Year 2025 data as of May 31, 2025.

Source: Louisville and Jefferson County Metropolitan Sewer District

### Rate History

The following table shows the District's rate adjustment history for the last five fiscal years. Rate adjustments are applied to both fixed and volumetric charges for wastewater and drainage services.

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Jefferson County Service Area	5.00%	6.90%	5.00%	6.90%	6.90%
Bullitt County Service Area	N/A	12.00%	12.00%	12.00%	12.00%
Oldham County Service Area	0.00%	0.00%	-10.00%	5.00%	5.00%

Source: Louisville and Jefferson County Metropolitan Sewer District

### Collections

Under Section 76.090 of the Kentucky Revised Statutes, whenever any wastewater rates, rentals, or charges for services remains unpaid for a period of thirty days after the same become 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**  
(\$ in thousands)

<b>Fiscal Year</b>	<b>Delinquent Wastewater Balance</b>	<b>Percent of Wastewater Revenue</b>	<b>Delinquent Drainage Balance</b>	<b>Percent of Drainage Revenue</b>
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%
2024	\$2,229	0.7%	\$3,251	3.2%
2025 <sup>1</sup>	\$2,007	0.6%	\$4,711	4.6%

<sup>1</sup> Fiscal Year 2025 data as of May 31, 2025.

Source: Louisville and 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, which 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, which 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 2020	FY 2021	FY 2022	FY 2023	FY 2024
Residential	221,976	230,157	234,362	236,020	237,147
Commercial	21,331	21,537	21,851	21,919	22,443
Industrial	<u>385</u>	<u>390</u>	<u>394</u>	<u>394</u>	<u>404</u>
Total	243,512	252,084	256,607	258,333	259,994
% Growth	1.40%	3.52%	1.79%	0.67%	0.64%

Source: Louisville and Jefferson County Metropolitan Sewer District

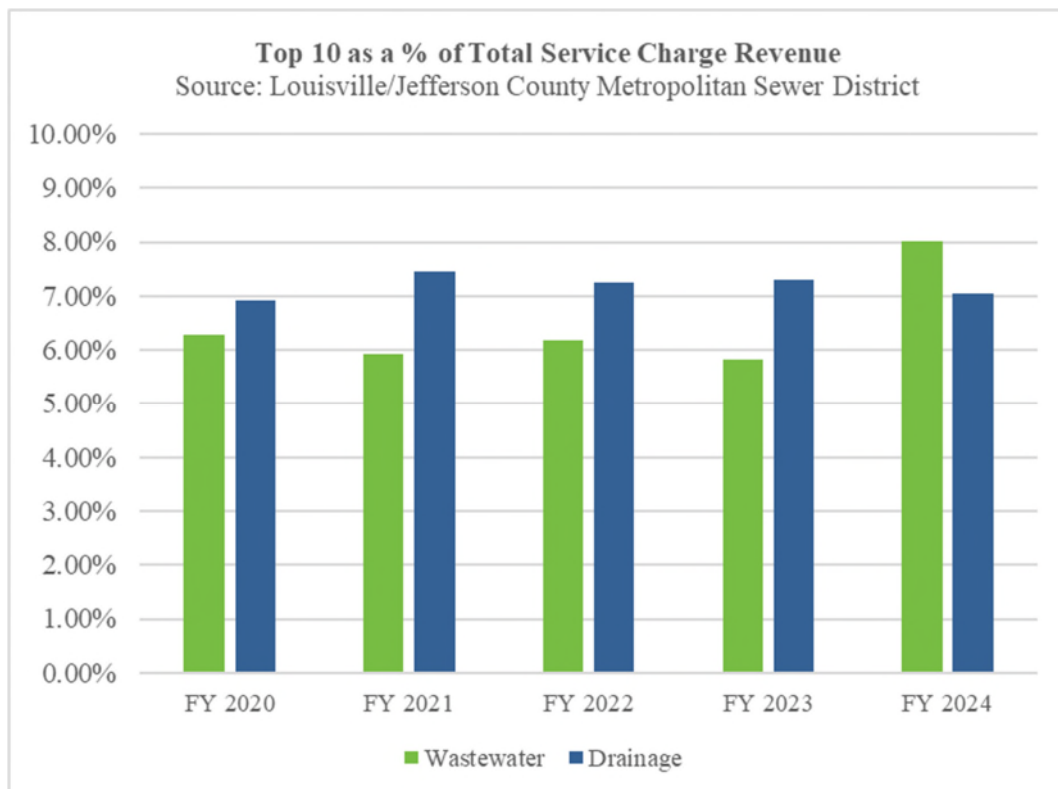
### Historical Active Drainage Customer Totals

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Residential	207,317	208,060	209,335	210,242	211,432
Commercial	14,087	14,062	14,040	13,950	13,853
Industrial	<u>271</u>	<u>269</u>	<u>274</u>	<u>279</u>	<u>283</u>
Total	221,675	222,391	223,649	224,471	225,568
% Growth	0.41%	0.32%	0.57%	0.37%	0.49%

Source: Louisville and Jefferson County Metropolitan Sewer District

## Top 10 Customers

The following table shows the most recent available data regarding the District's top ten wastewater and drainage customers as a percentage of total revenue.



The following tables show the District's top ten wastewater and drainage customers, respectively, in fiscal year 2024, the most recently available data.

#### Top 10 Wastewater Customers

Rank	Customer Name	Billed	Wastewater Revenue
1	Early Times Distillery	\$6,435,981	1.73%
2	Heaven Hill Distilleries, Inc.	\$5,636,792	0.78%
3	Lubrizol Advanced Material	\$2,468,843	0.68%
4	The Chemours Company FC, LLC	\$2,033,380	0.59%
5	Swift Pork Company	\$1,790,382	0.48%
6	Ford Motor Company	\$1,383,171	0.40%
7	Rohm and Haas	\$1,213,630	0.36%
8	Clariant Corporation	\$1,185,797	0.33%
9	Haier US Appliance Solutions, Inc.	\$1,184,904	0.23%
10	Ford Motor Company	<u>\$843,681</u>	<u>0.23%</u>
Total		\$24,176,561	8.01%
Total FY24 Wastewater Revenue		\$301,829,059	

Source: Louisville and Jefferson County Metropolitan Sewer District

#### Top 10 Drainage Customers

Rank	Customer Name	Billed	Drainage Revenue
1	Regional Airport Authority	\$1,827,709	2.00%
2	United Parcel Service	\$1,618,170	1.63%
3	Jefferson County Board of Education	\$1,004,293	1.03%
4	Ford Motor Company	\$509,895	0.51%
5	LIT Industrial Limited Partnership	\$380,899	0.40%
6	Kentucky State Fair Board	\$360,472	0.39%
7	Regional Airport Authority	\$357,407	0.36%
8	Haier US Appliance Solutions, Inc.	\$343,115	0.33%
9	University of Louisville	\$331,978	0.32%
10	Churchill Downs Incorporated	<u>\$327,715</u>	<u>0.31%</u>
Total		\$7,061,653	7.04%
Total FY24 Drainage Revenue		\$100,364,808	

Source: Louisville and Jefferson County Metropolitan Sewer District

### FINANCIAL OPERATIONS

#### Historical Financial Operations

The following table presents the District's historical revenues, expenses, and changes in net position using information contained in the District's audited financial statements for fiscal years 2020 through 2024, the most recent fiscal years available. The District's audited financial statements for fiscal year 2024 are found in "APPENDIX D – Annual Comprehensive Financial Report of the District for the Fiscal Year Ended June 30, 2024" hereto. The interim unaudited financial statements of the District for the fiscal period ended May 31, 2025 are found in "APPENDIX E – Interim and Unaudited Financial Statements of the District for the Fiscal Period Ended May 31, 2025" hereto.

[Continued on the following page]

**Historical Revenues, Expenses, and Changes in Net Position**  
(\$ in thousands)

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Operating revenue:					
Wastewater service charges	\$237,807	\$245,802	\$270,066	\$290,697	\$313,827
Drainage service charges	75,052	79,915	86,804	94,466	100,365
Other operating income	<u>6,198</u>	<u>3,701</u>	<u>8,497</u>	<u>6,863</u>	<u>12,083</u>
Total operating revenue	\$319,057	\$329,418	\$365,367	\$392,026	\$426,275
Operating expenses:					
Service and administrative costs	\$167,771	\$170,073	\$169,869	\$167,924	\$168,729
Capitalization/recovery of cost	(39,643)	(41,785)	(42,166)	(41,151)	(40,786)
Depreciation and amortization	<u>98,872</u>	<u>97,874</u>	<u>103,964</u>	<u>114,562</u>	<u>131,336</u>
Total operating expenses	\$227,000	\$226,162	\$231,667	\$241,335	\$259,279
Income (loss) from operations	\$92,057	\$103,256	\$133,700	\$150,691	\$166,996
Non-operating revenue (expense):					
Gain/Loss Disposal of Assets	\$(15,008)	\$ (21)	\$ 124	\$(14,320)	\$ (111)
Investment income	5,275	1,777	(1,467)	7,253	13,618
Build America bond refund	10,325	10,398	10,344	11,350	9,444
Interest expense – bonds	(92,274)	(93,067)	(86,792)	(91,736)	(98,705)
Interest expense – swaps	(8,027)	(9,793)	(9,502)	(3,988)	(1,706)
Interest expense – other	(13,129)	(13,104)	(12,873)	(15,337)	(14,650)
Amortization of debt discount/premium	12,688	17,429	17,172	13,189	7,312
Amortization of loss on refunding	(2,404)	(3,107)	(3,768)	(3,631)	(1,442)
Capitalized interest	13,043	12,049	7,464	6,961	12,749
Change in fair values – swaps	<u>812</u>	<u>8,796</u>	<u>11,293</u>	<u>7,614</u>	<u>5,009</u>
Total non-operating revenue (expenses), net	\$(88,699)	\$(68,643)	\$(68,005)	\$(82,645)	\$(68,482)
Net income/(loss) before contributions	\$ 3,358	\$34,613	\$65,695	\$68,046	\$ 98,514
Contributions	<u>9,085</u>	<u>16,422</u>	<u>9,572</u>	<u>13,201</u>	<u>30,303</u>
Increase (decrease) in net position	\$12,443	\$51,035	\$75,267	\$81,247	\$128,817
Net position, beginning of year	\$770,552	\$796,730	\$847,765	\$923,032	\$1,004,279
Net position, OCEA merger	<u>13,735</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net position, beginning of year, as restated	\$784,287	\$796,730	\$847,765	\$923,032	\$1,004,279
Net position, end of year	<u>\$796,730</u>	<u>\$847,765</u>	<u>\$923,032</u>	<u>\$1,004,279</u>	<u>\$1,133,096</u>

Source: Louisville and Jefferson County Metropolitan Sewer District

[Continued on the following page]

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)

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Revenues:					
Service charges	\$312,859	\$325,717	\$356,870	\$385,163	\$414,192
Other operating income	6,198	3,701	8,497	6,863	12,083
Assessments	909	799	583	429	385
Investment income	15,600	12,175	8,877	18,603	23,063
Less: capitalized investment income	-0-	-0-	-0-	-0-	-0-
Total revenues	\$335,566	\$342,392	\$374,827	\$411,058	\$449,723
Operating expenses:					
Service and administrative costs <sup>1</sup>	\$149,945	\$151,527	\$161,144	\$165,792	\$178,716
Less: capitalized overhead	(39,643)	(41,785)	(42,166)	(41,151)	(40,786)
Total operating expenses	\$110,302	\$109,742	\$118,978	\$124,641	\$137,930
Net revenues	\$225,264	\$232,650	\$255,849	\$286,417	\$311,793
Aggregate debt service:					
Current maturities – senior lien	\$ 40,637	\$ 43,802	\$ 51,597	\$ 52,838	\$ 52,509
Interest expense – senior lien	92,274	93,067	86,792	91,736	98,705
Less: capitalized interest expense	(13,043)	(12,050)	(7,464)	(6,961)	(12,749)
Aggregate net debt service	\$119,868	\$124,819	\$130,925	\$137,613	\$138,465
Pledged revenue coverage ratio	188%	186%	195%	208%	225%

<sup>1</sup> Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.

Source: Louisville and 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 table set forth below. 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 2030. The projected financial results of the District for fiscal years 2026 through 2030 incorporate assumptions as of the date of this Official Statement. The projected debt service requirements include estimated debt service for the Series 2025A Bonds.

THE INFORMATION PRESENTED ON PROJECTED REVENUES AND EXPENSES CONSTITUTES A “FORWARD LOOKING STATEMENT” UNDER FEDERAL SECURITIES LAW. ACTUAL REVENUES OR 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 BOARD WILL APPROVE ANY PROPOSED REVISIONS OF THE DISTRICT’S SCHEDULE OF RATES, RENTALS, AND CHARGES. IN GENERAL, IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO MATERIALLY DIFFER FROM THE REVENUES OR EXPENSES PRESENTLY ESTIMATED INCLUDE, BUT ARE NOT LIMITED TO, ANY MATERIAL CHANGE IN THE SIZE AND COMPOSITION OF THE DISTRICT’S SERVICE AREA, ANY UNANTICIPATED CHANGES IN LAW, ANY UNANTICIPATED MATERIAL LITIGATION, ANY MATERIAL DOWNTURN IN ECONOMIC ACTIVITY, THE EFFICIENCY OF THE DISTRICT’S OPERATIONS, AND THE CAPITAL CONSTRUCTION AND EXPENDITURE PLANS AND RESULTS OF THE DISTRICT.

[Continued on the following page]

### Projected Financial Results

Fiscal Years ending June 30

(\$ in thousands)

	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Version	Budget	Projected	Projected	Projected	Projected
Rate Increase					
Jefferson County service area	3.90%	3.90%	4.90%	3.90%	3.90%
Bullitt County service area	12.00%	3.00%	3.00%	3.00%	3.00%
Oldham County service area	2.00%	2.00%	2.00%	2.00%	2.00%
Operating Revenues:					
Wastewater service charges	\$350,761	\$363,790	\$379,518	\$392,652	\$406,226
Drainage service charges	114,512	118,978	124,808	129,675	134,733
Other operating income	<u>10,330</u>	<u>9,458</u>	<u>9,894</u>	<u>9,676</u>	<u>9,585</u>
Total Operating Revenues	\$475,603	\$496,226	\$514,220	\$532,003	\$550,544
Non-Operating Revenues:					
Assessments	\$ 170	\$ 136	\$ 109	\$ 87	\$ 70
BAB refund	10,986	10,986	10,221	10,221	10,221
Investment income	<u>10,995</u>	<u>9,068</u>	<u>10,515</u>	<u>9,975</u>	<u>9,345</u>
Total Non-Operating Revenues	\$22,151	\$20,190	\$20,845	\$20,283	\$19,636
Total Available Revenue	<u>\$497,754</u>	<u>\$512,416</u>	<u>\$535,065</u>	<u>\$552,286</u>	<u>\$570,180</u>
Operating Expenses:					
Total operating expenses <sup>(1)</sup>	\$221,486	\$222,863	\$231,315	\$238,600	\$246,410
Capitalized cost	<u>(44,297)</u>	<u>(44,573)</u>	<u>(46,263)</u>	<u>(47,720)</u>	<u>(49,282)</u>
Net Operating Expense	\$177,189	\$178,290	\$185,052	\$190,880	\$197,128
Net Revenues Available for Debt Service	<u>\$320,565</u>	<u>\$334,126</u>	<u>\$350,013</u>	<u>\$361,406</u>	<u>\$373,052</u>
Debt Service:					
Total senior lien debt service <sup>(2)</sup>	\$173,699	\$190,854	\$196,724	\$208,762	\$190,393
Capitalized interest	(10,000)	(9,938)	(10,300)	(10,626)	(10,533)
Total senior subordinated debt service	19,093	19,973	24,041	23,720	19,418
Total subordinated debt service	<u>12,161</u>	<u>12,591</u>	<u>15,201</u>	<u>14,992</u>	<u>14,770</u>
Total Outstanding & Projected Debt Service	\$194,953	\$213,480	\$225,666	\$236,848	\$214,048
Total Senior Lien Debt Service Coverage	196%	185%	188%	182%	207%
Total Debt Service Coverage	164%	157%	155%	153%	174%

<sup>(1)</sup> Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.

<sup>(2)</sup> Projections assume bonds are issued on a senior lien basis.

Source: Louisville and Jefferson County Metropolitan Sewer District

### CAPITAL IMPROVEMENT PLAN

The District's Capital Improvement Plan ("CIP") for fiscal years 2026 – 2030 was approved by the Board on May 27, 2025. The CIP is dynamic and requires review and modification throughout the year. The CIP Management Team is tasked with monthly review of the CIP and makes major project and program change decisions. Voting members include the Executive Director, Chief Engineer, Chief Operations Officers, and Chief Financial Officer. The following table shows the current CIP summarized by program type.

#### Five-Year CIP

(\$ in thousands)

	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>Total</b>
Wastewater	\$224,872	\$199,452	\$180,515	\$194,950	\$185,593	\$985,382
Drainage	8,284	8,695	9,428	2,971	8,719	38,097
Flood Protection	73,244	23,005	20,259	12,880	19,148	148,536
Support Systems	13,236	13,401	9,107	8,803	18,284	62,831
Management Reserve	<u>1,585</u>	<u>569</u>	<u>5,100</u>	<u>5,100</u>	<u>5,100</u>	<u>17,454</u>
<b>Total CIP</b>	<b>\$321,221</b>	<b>\$245,122</b>	<b>\$224,409</b>	<b>\$224,704</b>	<b>\$236,844</b>	<b>\$1,252,300</b>

Source: Louisville and Jefferson County Metropolitan Sewer District



The CIP is funded with a mixture of moneys provided by operations, grants, and debt. The District pursues low-cost financing opportunities to fund the CIP through the Kentucky Infrastructure Authority's State Revolving Fund loan program and the Environmental Protection Agency's Water Infrastructure Finance Innovation Act. The remaining balance of the CIP is funded with revenue bond debt of the District. The following table summarizes funding sources for the current CIP.

**Five-Year CIP – Sources of Capital Funds**  
(\$ in thousands)

	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>Total</b>
Capital Improvement Plan	\$321,221	\$245,122	\$224,409	\$224,704	\$236,844	\$1,252,300
Funding Sources:						
Cash Funded	\$67,915	\$63,090	\$65,285	\$64,229	\$101,844	\$362,363
Grant Funded	\$14,205	\$902	\$144	–	–	\$15,251
Debt	\$239,101	\$181,130	\$158,980	\$160,475	\$135,000	\$874,686

Source: Louisville and Jefferson County Metropolitan Sewer District

**APPENDIX B**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**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 under 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 Accreted 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 Chapter 58 and Chapter 76 of the Kentucky Revised Statutes, inclusive, as the same may be amended from time to time, and any successor provisions thereto.

“Additional Bonds” means Bonds authenticated and delivered upon original issuance under the Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds under 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 under the Resolution (including, without limitation, 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 under 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 before 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, without limitation, 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 before 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 under 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, under 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) 10% of the face amount of such Series, (ii) 100% of the maximum Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year, and (iii) 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 thirty-year Revenue Bond Index (published by The Bond Buyer no more than two weeks before 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 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 under 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 moneys and securities held under the provisions of the Resolution, and may include the Bond Registrar.

“Fiscal Year” means each twelve-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: (a) Farmer’s Home Administration; (b) General Services Administration; (c) United States Maritime Administration – Guaranteed Title XI Financing; (d) Federal Financing Bank; (e) United States Department of Housing and Urban Development; (f) U.S. Export-Import Bank; (g) Federal Housing Administration Debentures; and (h) 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 before 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 mortgage-backed securities and senior debt obligations, 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 S&P 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 thirty 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 clause (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 clauses (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 under 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 under 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 before 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 under the Resolution at or before such date;
- (ii) Bonds (or portion of Bonds) for the payment or redemption of which moneys, 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 before 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 under 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 under 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 under 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 under 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 moneys or securities held under 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” 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 under 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 under 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 under the Resolution.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified under 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 under 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 under 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 moneys 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 under 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 under 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 moneys 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 under 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 moneys 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, (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 under the Resolution, to equal one-twelfth 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; 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 one-twelfth 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; provided, however, that none of the remaining moneys 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 under 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 under 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 of the deficiency, except that, if a new valuation of Investment Securities held in the Reserve Account is made under 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 before 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 before the 40th day next preceding the due date of such Sinking Fund Installment, to (a) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds under 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 under 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 under 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 (1) immediately thereafter Bonds being refunded shall be deemed to have been paid under the Resolution as described herein under the caption "Defeasance," and (2) 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 under 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 (1) and (2) referred to above 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 before 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 under 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. Before any such 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 of 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 moneys 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 under a surety bond, an insurance policy or a letter of credit provided under 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.

Upon 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 under 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 under 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***

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 such Fund if less than the amount necessary) to make up such deficiency.

Any balance of moneys 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 such 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 moneys 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 moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Moneys 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 moneys when needed for payments to be made from such Fund or Account. The Fiduciary, shall make all such investments of moneys 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 moneys through its respective trust department; provided, however, that the District may, in its discretion, direct that such moneys 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 moneys 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 any Series shall be applied simultaneously with the delivery of such Additional Bonds, as so provided in the Supplemental Resolution authorizing such Series of Additional Bonds. The conditions for the issuance of any Additional Bonds to finance the Acquisition and Construction of Additional Facilities include a certificate of an Authorized Officer of the District (a) setting forth (i) the Net Revenues for any period of twelve consecutive calendar months within the twenty-four calendar months preceding the date of authentication and delivery of such Additional Bonds, and (ii) the Aggregate Net Debt Service (excluding any Principal Installment or portion thereof which was paid from sources other than Net Revenues) on all Series of Bonds then Outstanding, during the same period for which the Net Revenues are computed under clause (a)(i) above, and showing that the amount set forth in clause (a)(i) above is equal to or greater than 110% of the amount set forth in clause (a)(ii) above, and (b) setting forth (i) the Net Revenues (A) for the last full Fiscal Year of twelve months (ending on June 30) immediately preceding the date of authentication and delivery of such Additional Bonds, or (B) for the last twelve consecutive full calendar months immediately preceding the date of authentication and delivery of such Additional Bonds, at the option of the District, 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 (B) the Additional Bonds then proposed to be authenticated and delivered (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 of such Bonds, and shall not be computed cumulatively or separately for each particular Series), and showing that the amount set forth in clause (b)(i) above is equal to or greater than 110% of the amount set forth in clause (b)(ii) above. For purposes of computing the amount set forth in clause (b)(i) above, Net Revenues may be increased to reflect the following amounts: (1) any increases in the rates, fees, rents, and other charges for services of the System made after the commencement of such period and before the date of such certificate, (2) any estimated increases in Net Revenues caused by any Project or Projects having been placed into use and operation after the commencement of such period and before the date of such certificate, as if such Project or Projects had actually been placed into use and operation for the entire period chosen for clause (b)(i) above, and (3) 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 for clause (b)(i) 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 moneys 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 under 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 moneys 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 moneys, as shall be necessary to comply with the provisions of the Resolution as described herein under the caption "Defeasance", which Investment Securities and moneys 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 moneys as are required by the provisions of the Resolution or any Supplemental Resolution adopted under 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 moneys 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 (1) does not materially impede the operation by the District or its agents of the System, and (2) 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 under the Resolution, an Authorized Officer of the District may rely upon information, certificates, opinions or reports required to be provided by others under 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. The 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; (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); (c) all Operating Expenses for such Fiscal Year as estimated in the Annual Budget; (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 under 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 under 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 under 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 under 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 (1) any material decrease in the Revenues anticipated to be produced by any rates, fees, rents or charges or any later review thereof, (2) 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 (3) 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. Such 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***

Upon 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 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 under 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 under the Internal Revenue Code of 1986, as amended, 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 under Section 148(f) of the 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 under 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 days thereafter, or payment of any installment of interest is not made on the date specified for such payment, nor within thirty 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 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 Section 76.160 of the Kentucky Revised Statutes shall become operative, and the holder or holders of 20% in principal amount or more of the Bonds then Outstanding under 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 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 under 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 moneys 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; (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; (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; (4) to authorize Bonds of a Series; (5) to authorize one or more series of Subordinated Debt; (6) to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds; (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; (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; (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; (10) to comply with the provisions of any federal or state securities law, including, without limitation, the Trust Indenture Act of 1939, as amended, and the provisions of Section 103 of the Code; (11) to modify any of the provisions of the Resolution in any other respect whatever, provided that (a) 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 (b) 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 under 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 under the Resolution for the execution of a particular amendment, the District shall provide the Insurer with written notice of such amendment before 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 moneys 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 before 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 before 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 before 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 under 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 before 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 sixty 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 clause (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 moneys are expected to be available for the payment.

Such escrow agent shall, as and to the extent necessary, apply amounts held by it under 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 before 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 before 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 under 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 C**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**SUMMARY OF REFUNDED BONDS  
AND REFUNDED NOTES**

## SUMMARY OF REFUNDED BONDS AND REFUNDED NOTES\*

### Series 2015A Bonds\*

All or a portion of the District's outstanding Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2015A, dated October 21, 2015, maturing on the dates and in the amounts, bearing interest at the rates, and having the CUSIP numbers set forth below:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP<sup>†</sup></b>
May 15, 2026	\$2,425,000	5.000%	546589 WQ1
May 15, 2027	2,635,000	5.000%	546589 WR9
May 15, 2028	3,635,000	4.000%	546589 WS7
May 15, 2029	3,875,000	4.000%	546589 WT5
May 15, 2031	4,180,000	4.500%	546589 WV0
May 15, 2032	4,550,000	4.500%	546589 WW8
May 15, 2034	4,680,000	4.500%	546589 WY4

### Series 2015B Bonds\*

All or a portion of the District's outstanding Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Refunding Bonds, Series 2015B, dated October 21, 2015, maturing on the dates and in the amounts, bearing interest at the rates, and having the CUSIP numbers set forth below:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP<sup>†</sup></b>
May 15, 2029	\$3,800,000	4.000%	546589 YA4
May 15, 2030	3,975,000	4.000%	546589 YB2
May 15, 2031	4,135,000	4.000%	546589 YC0
May 15, 2034	4,595,000	5.000%	546589 YF3
May 15, 2035	4,825,000	5.000%	546589 YG1

### Series 2016A Bonds\*

All or a portion of the District's outstanding Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2016A, dated August 30, 2016, maturing on the dates and in the amounts, bearing interest at the rates, and having the CUSIP numbers set forth below:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP<sup>†</sup></b>
May 15, 2026	\$1,350,000	5.000%	546589 YV8
May 15, 2027	450,000	5.000%	546589 YW6
May 15, 2030	3,555,000	3.500%	546589 YZ9
May 15, 2032	3,860,000	4.000%	546589 ZB1
May 15, 2033	4,075,000	4.000%	546589 ZC9

\* Preliminary, subject to change.

<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Refunded Bonds, and the District and the Underwriter do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunded Bonds.

**Refunded Notes\*****Sub-Series A-1 (Bank of America, N.A.)**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Amount</b>	<b>Interest (%)</b>	<b>Payment Amount</b>	<b>CUSIP<sup>†</sup></b>
8/4/2025	TBD	10,000,000	TBD	TBD	TBD	TBD
8/4/2025	TBD	15,000,000	TBD	TBD	TBD	TBD
8/4/2025	TBD	10,000,000	TBD	TBD	TBD	TBD
		<b>35,000,000</b>				

**Sub-Series A-2 (JPMorgan Chase Bank, N.A.)**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Amount</b>	<b>Interest (%)</b>	<b>Payment Amount</b>	<b>CUSIP<sup>†</sup></b>
8/4/2025	TBD	15,000,000	TBD	TBD	TBD	TBD
8/4/2025	TBD	30,000,000	TBD	TBD	TBD	TBD
		<b>45,000,000</b>				

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\* Preliminary, subject to change.

<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Refunded Notes and the District and the Underwriter do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunded Notes.



**APPENDIX D**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Louisville and Jefferson County  
Metropolitan Sewer District

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2024



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, 2024  
With Comparative Information for Fiscal Year Ended June 30, 2023**

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

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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 29, 2024

## Letter of Transmittal

MSD Board of Directors and Those That We Serve,

On behalf of the Louisville and Jefferson County Metropolitan Sewer District, we are pleased to present the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. 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, 2024 and 2023 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 our 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, 2024. 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 of MSD

MSD was created in 1946 as a public body corporate and subdivision of the Commonwealth of Kentucky. MSD provides sewer, drainage, and flood protection services within most of Louisville Metro, which comprises all of Jefferson County, Kentucky. In addition, MSD provides sewer service in portions of Oldham County and Bullitt County, Kentucky through Interlocal Agreements. 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. 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 2024 was \$7.9 million.

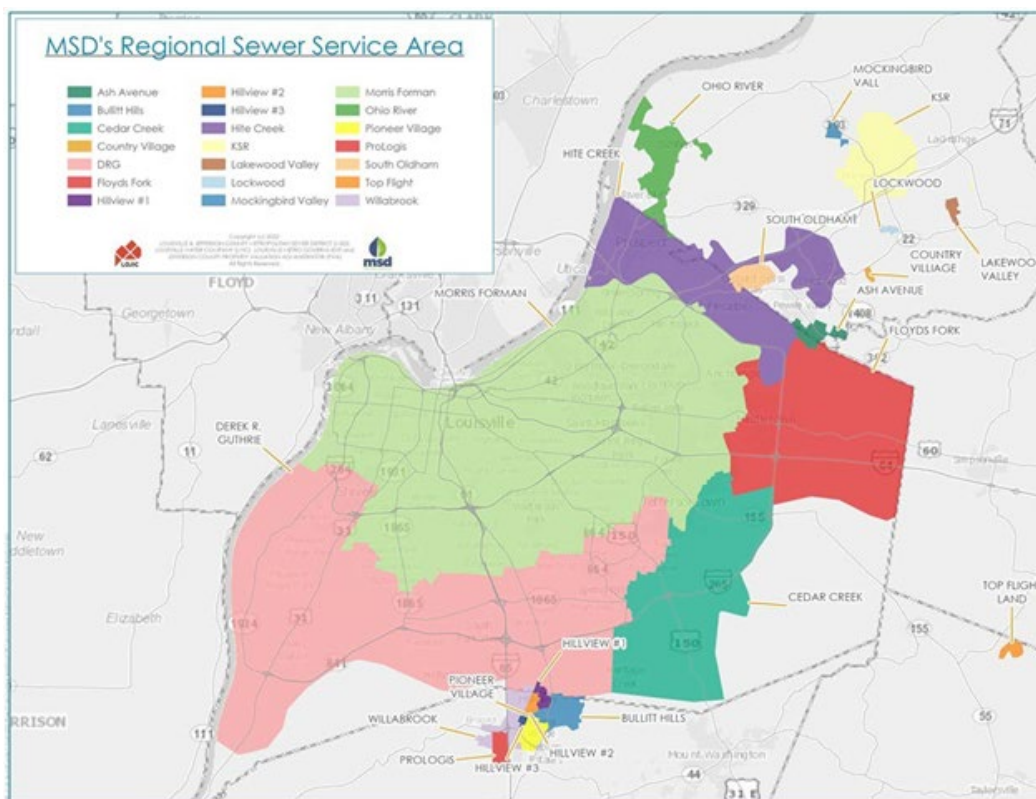
The Louisville Metro Mayor appoints, with the approval of the Louisville Metro Council, members of MSD's governing Board, its Executive Director, Chief Engineer, and Secretary/Treasurer. The Board, which has statutory authority to enter into contracts and agreements, manages MSD's business and activities.

The Board is required to adopt an annual budget before the start of each fiscal year. Management prepares and recommends annual budgets to Board standing committees prior to final approval by the full Board. Annual budgets may be amended using the same process used for adoption of the original budget. No monies may be spent from any source except as provided in the originally adopted or subsequently amended budget. MSD prepares its budgets on a modified accrual basis. A reconciliation for fiscal year 2024 between the budget basis and total expenses reported in the Statements of Revenues, Expenses, and Changes in Net Position is included in the Statistical Section as Schedule 2.

The Board is required by the General Bond Resolution to establish, maintain, and collect rates for each fiscal year sufficient to pay 110% of principal and interest on senior lien bonds, required reserve account deposits, all operating expenses, subordinated debt service, and all charges or liens. Revenue requirements are determined based upon the cash needed to cover the bond resolutions requirements and to cash-fund a portion of the capital budget.

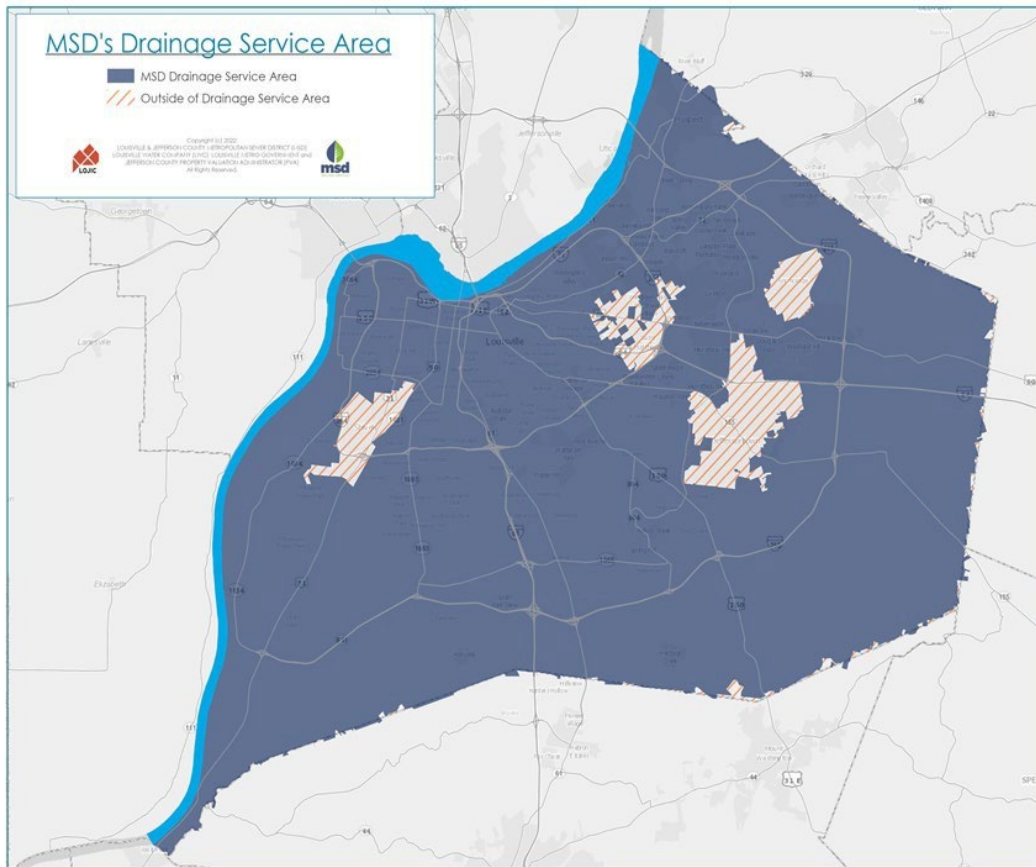
Wastewater and drainage service charges are collected from residential, commercial, and industrial customers within MSD's service area. In fiscal year 2024, MSD provided wastewater services to over 259,000 customer connections and drainage/flood protection services to more than 225,000 customers. As of June 30, 2024, MSD has 755 employees responsible for operating and maintaining over 3,600 miles of sewer, 5 water quality treatment centers, 15 wastewater treatment plants and 26 miles of flood wall.

Wastewater service charges are distributed to respective customer classes based on actual costs incurred to collect and treat wastewater. The following map details the wastewater service area.



Drainage service charges are assessed based on the equivalent service units (ESU) of impervious service for each parcel of property. An ESU is defined by MSD as 2,500 square feet of impervious area. Single-family residential parcels are assessed one ESU. The drainage service charge provides funding for the interior drainage system and the Louisville flood protection system. The following map details the drainage service area.





## Local Economic Conditions

Louisville, located in Jefferson County, 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 estimates there were 772 thousand residents in Jefferson County, Kentucky, as of July 1, 2023. This is a decrease of 1.4% from the population estimate base report as of April 1, 2020.

According to the Bureau of Labor Statistics preliminary data, Louisville employment was at 647 thousand jobs in June of 2024 compared to 642 thousand jobs in June 2023, an increase of 0.6%. MSD's employment base has grown 8.4% over the last fiscal year with 755 full time employees at June 30, 2024 compared to 696 full time employees at June 30, 2023. Major employers in the Louisville metropolitan area include United Parcel Service, Norton Healthcare, UofL Health, Jefferson County Public Schools and Ford Motor Company.

The United States Department of Labor's Bureau of Labor Statistics listed the preliminary unemployment rate for Jefferson County, Kentucky, as 4.4% in June 2024 compared to 3.9% in June of 2023. Additional information on demographic and economic conditions for Louisville can be found in the Statistical Section of this report.

## Strategic Planning

In 2019, MSD rolled out our current strategic business plan, branded as "Blueprint 2025". Developed through workshops with staff across all divisions, this plan was designed as a transformative process to enhance organizational performance through the application of Effective Utility Management best practices within every aspect of our internal value chains.

Blueprint 2025 provides a structured approach for MSD's success, positioning the organization to deliver our three core business services to the community by providing clarity for every employee about our vision, mission, and critical success factors. It represents a plan designed to unite us and strengthen our bond as we target specific initiatives and metrics in support of the services provide to the communities we serve.



Organizational performance management involves a comprehensive evaluation of not just “*are we doing things right*”, but rather “*are we doing the right things*”. The main goal of organizational performance management is to drive the achievements of organizational strategies, goals, and objectives by ensuring that divisional, departmental, team and individual performance is aligned with organizational direction. To achieve this lofty goal, MSD developed a “blueprint” for the development, assignment, and performance evaluation of goals which all divisions are required to implement as written.

Application of this organizational performance management framework creates a direct line of sight between employees and the organization’s overarching goals and objectives by deploying cascading goals from the organizational goal level to divisions, departments, team, and individual employees. This ensures transparency, focus on continued performance improvement on a continual basis, and visibility of how overall organizational strategy execution is being achieved throughout the organization.



Under this framework, performance is assessed at the highest level through organizational goals that apply to all staff. Additional connection is created for non-union staff through division/department, team and individual contributor goals directly aligned to and supporting implementation of the organizational goals.

### Fiscal Year 2025 Budgets

MSD’s operating budget for fiscal year 2025 totals \$202.6 million. The operating budget provides funding to operate and maintain our wastewater collection & treatment systems along with the drainage and flood protection systems. The operating budget also funds the administrative and support services that are required to operate the utility.

Debt service payments on MSD’s outstanding debt will total \$185.3 million for fiscal year 2025. MSD actively manages its debt service obligations by refunding debt to achieve debt service savings when possible and by incorporating innovative financing tools. MSD started a commercial paper program in 2018 to provide interim financing for capital projects. Commercial paper is periodically refinanced with 30-year fixed rate sewer and drainage system revenue bonds. In 2020, MSD secured a \$98 million WIFIA loan from the US EPA. MSD estimates the WIFIA loan will save over \$15 million in financing costs over the life of the loan compared to traditional financing methods. In addition to the low cost, the WIFIA loan provides MSD flexibility in repayment terms and construction scheduling, ensuring that the funding meets MSD’s needs throughout the life of the project.

MSD’s capital budget totals \$298.8 million for fiscal year 2025. MSD’s commitments related to infrastructure rehabilitation and improvement under the Consent Decree and other Kentucky Agreed Orders are the primary capital budget driver representing \$264 million, or 88%, of the budget. The fiscal year 2025 capital budget provides funding for the following major projects already under way:

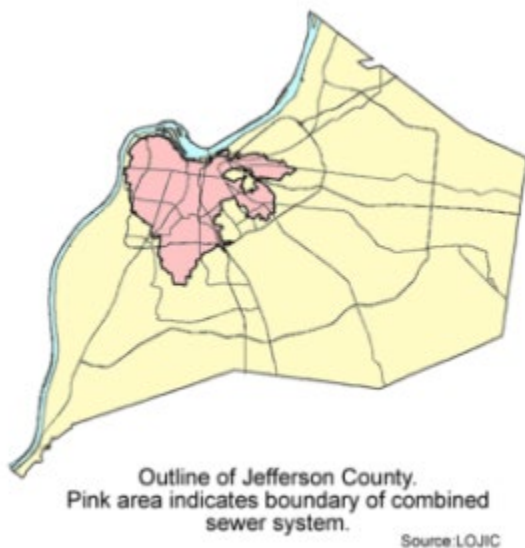
- \$74.2 million for the Paddy’s Run Flood Pump Station Replacement and Capacity Upgrade
- \$68.4 million for the Morris Forman Biosolids Facility
- \$9 million for the Cedar Creek Water Quality Treatment Center Tertiary Filtration System

The capital budget will be funded by a combination of funds available from operations (revenue less operating expenses and debt service payments) and new debt.

Inflation and supply chain issues have made capital project delivery more expensive and more challenging. Work required to mitigate odors has added another \$49 million to our five-year capital plan. To deliver on this work while implementing rate increases within the rate authority granted to our Board, MSD has aggressively pursued alternative funding in the form of grants and low-interest loans. These funding mechanisms are providing more than \$225 million of support for in-progress projects. Nearly five percent of the fiscal year 2025 capital budget is funded by grants. Detailed budget information is available on our website at <https://louisvillemisd.org/financial>.

## Progress on Second Amended Consent Decree

The earliest sewers in Louisville were built in the 1800's to drain stormwater to a river or stream after a rain event. When indoor plumbing became common in Louisville homes, a sanitary sewer became necessary to drain wastewater. The most convenient way to accomplish this was to combine the sanitary waste with the stormwater in the same pipe. These "combined sewers" are found in the area inside I-264. Combined sewers were built to send sanitary wastewater to treatment most of the time, but during rain events may "overflow" into waterways to prevent backups of sewage into buildings. These overflows are called



combined sewer overflows. The area outside I-264 is served by separate sanitary sewers, which are designed to carry only wastewater. Stormwater is conveyed through a separate drainage system. These separate sanitary sewers were not built to overflow. However, stormwater finds ways to enter these pipes. When the pipes fill up, they may overflow either into a waterbody, onto the ground or into a building. These overflows are called sanitary sewer overflows. Untreated wastewater, even when diluted with stormwater, carries bacteria and pollutants that may cause illness if accidentally ingested.

The Second Amended Consent Decree is a federally enforceable agreement that resolves alleged violations of the Clean Water Act for untreated overflows from Louisville's combined and separate sanitary sewer systems. MSD is

working diligently to reduce sewer overflows, many of which can be prevented. The Second Amended Consent Decree requires the completion of a variety of projects to reduce sewer overflows by 2035. Completion of these projects is expected to improve the water quality in both Louisville Metro streams and the Ohio River.

Since the start of the consent decree in 2005, MSD has seen a significant reduction in sewer overflows. For a 2-year cloudburst storm, 137 sanitary sewer overflow locations have been eliminated, from 197 modeled locations in 2007, to 60 in 2024. Combined sewer overflow volumes have been reduced by 5.85 billion gallons per typical year, from 6.5 billion gallons in 2001, to 648 million gallons in 2022. Additional information regarding the Consent Decree is available at <https://www.msdprojectwin.org/>.

## Major Initiatives

### *Asset Management*

In 2021, MSD began the development of a Strategic Asset Management Plan (SAMP) that will be the primary document that guides MSD's efforts in the administration of asset management activities. It brings focus to the strategy for improved asset management, and provides the overarching framework for achieving the mission, strategic goals, and critical success factors of the asset management program. The SAMP is a concise framework that creates a consistent approach for the MSD divisions that operate and maintain the assets. The SAMP framework provides the "rule book" for how facility and system plans will be created and implemented to help meet the established service level expectations and other operational objectives at the lowest life cycle cost. In addition to the SAMP, tactical asset management plans have been completed to define asset management activities at the facility level. Work is now focused on updating data and processes across the organization to provide the basis for asset renewal and replacement forecasting and capital project prioritization.

### *Community Benefits Program*

MSD's Community Benefits Program seeks to encourage investment in the communities we serve by leveraging economic, environmental, and social impacts through the utility's large-scale engineering, construction, and professional service projects. MSD's Community Benefits program—launched in 2019—focuses on the utility's construction projects over \$2 million and professional service contracts over \$200,000. During the contractor proposal stage, MSD encourages contractors to voluntarily submit community-benefit commitments they will pursue if awarded the project. These can include charitable contributions, volunteer hours, or in-kind services to area nonprofits or schools. To date, the program has reinvested more than \$6 million back into the community.

### *Customer Assistance Programs*

MSD offers two customer assistance programs to qualified customers. The Emergency Wastewater Rate Assistance Program (EWRAP) targets residential households at or below 150% of the federal poverty level and the Senior Citizen's Discount Program supports seniors with less than \$35,000 in total household income. Together, these programs provided more than \$1.8 million in rate assistance to 12,038 households in fiscal year 2024.

### *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 2024. Strong credit ratings enable MSD to issue debt at lower borrowing costs.

### *Flood Protection System Reconstruction*

The Louisville District of the U.S. Army Corps of Engineers (USACE) received \$5.3 million in federal funding as part of the fiscal year 2024 work plan. This funding will allow the Louisville District to begin improvements to portions of the Louisville flood protection system. USACE, in partnership with MSD, completed a feasibility study in 2020 that provided recommendations for rehabilitation of the system to restore the authorized level of flood risk management. Major elements of the work needed include repair and rehabilitation of 14 flood pump stations, floodwall repairs, and gate repair and replacement. Additional federal funding will be required before construction can begin.

### *Local Labor*

MSD's Local Labor Preference Program seeks to ensure infrastructure dollars remain in our community for the benefit of the local economy by encouraging employment of individuals on MSD projects in and near the Louisville Metropolitan Statistical Area. For construction projects bid at a value of \$5 million and higher, local labor preference is required. Annually MSD monitors several projects totaling more than \$150 million with an estimated job creation of more than 1,500.

### *New Main Office Location*

On May 15, 2024, MSD closed on the purchase of a building that will become our new Main Office. MSD has outgrown our existing location at 7<sup>th</sup> and Liberty Street in downtown and has been looking for a new site that can accommodate our growing workforce. Located at 1600 West Hill Street in the Parkhill Neighborhood, the new office building features an additional 82,600 square feet of office space. Space planning and improvements are underway with employees expected to be moved in stages over the next year.

### *Small Business Enterprise (SBE) Program*

MSD's SBE program is committed to encouraging and facilitating full and equitable business opportunities for small, local business enterprises in the communities we serve. The SBE program is designed to improve opportunities and build capacity of small local business enterprises to compete in the open market at a prime contracting level on MSD projects. Contracts are awarded based on lowest responsive, responsible bid. MSD's Chief Engineer, in conjunction with the Supplier Diversity and SBE Programs Manager, will determine the projects to be bid to SBE program participants, if it appears that sufficient SBEs are available to provide competitive bids. Projects will range from \$40,000 to \$199,999. To date, 25 contracts have been awarded to SBE registered firms.

### *Supplier Diversity Program*

MSD's Supplier Diversity Program is committed to ensuring meaningful opportunities to compete for MSD contracts in a prime or subcontracting capacity among qualified minority and women owned business enterprises (MBE/WBE). MSD has established goals at the construction subcontracting level for MBE/WBE participation of 18.0% African American, 2.0% Asian Indian American and 15.0% Caucasian Female. In addition, aspirational participation goals are established for MBE/WBE subconsultant participation on MSD engineering and professional service contracts valued at \$100,000 or more of 15% MBE and 6% WBE. In fiscal year 2024, MSD spent a total of \$17.1 million with MBE firms and \$18.9 million with WBE firms.

### **Awards and Acknowledgements**

#### *Government Finance Officers Association Distinguished Budget Presentation Award*

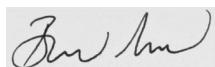
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Distinguished Budget Presentation Award to MSD for its fiscal year 2024 Budget for the fiscal year beginning July 1, 2023. This is the first year MSD has received this award. Governments must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device to receive the award.

#### *Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting*

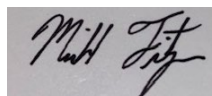
GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to MSD for its annual comprehensive financial report for the fiscal year ended June 30, 2023. This was the 32nd consecutive year that MSD has achieved this prestigious award. Governments must publish an easily readable and efficiently organized annual financial report to be awarded a Certificate of Achievement. 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 2024 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.

We would like to recognize and thank MSD's team of finance professionals for the timely preparation of the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. In addition, we would like to recognize all MSD team members for their commitment to ensuring safe clean waterways for the communities we serve.

Respectfully Submitted,



Brad Good  
Chief Financial Officer



Michael Fitzner  
Controller



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, 2023

*Christopher P. Morill*

Executive Director/CEO

# LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

Officials  
June 30, 2024

## Board of Directors

<u>Board Member</u>	<u>State Senate District</u>	<u>Political Party</u>	<u>Term Expires</u>
Marita Willis - Chair	36th	Democrat	June 30, 2025
Ricky Mason - Vice Chair	6th	Independent	July 31, 2025
Gerald Joiner	33rd	Democrat	February 28, 2027
Jeff Mosley	26th	Independent	July 31, 2026
John Selent	6th	Democrat	July 31, 2027
Lonnie Wright	7th	Republican	July 31, 2026
<i>Vacant</i>			
<i>Vacant</i>			

## Executive Staff

James A. Parrott.....	Executive Director, Secretary/ Treasurer
Carmen Moreno-Rivera.....	Chief Administrative Officer/Chief of Staff
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

## Our Mission

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

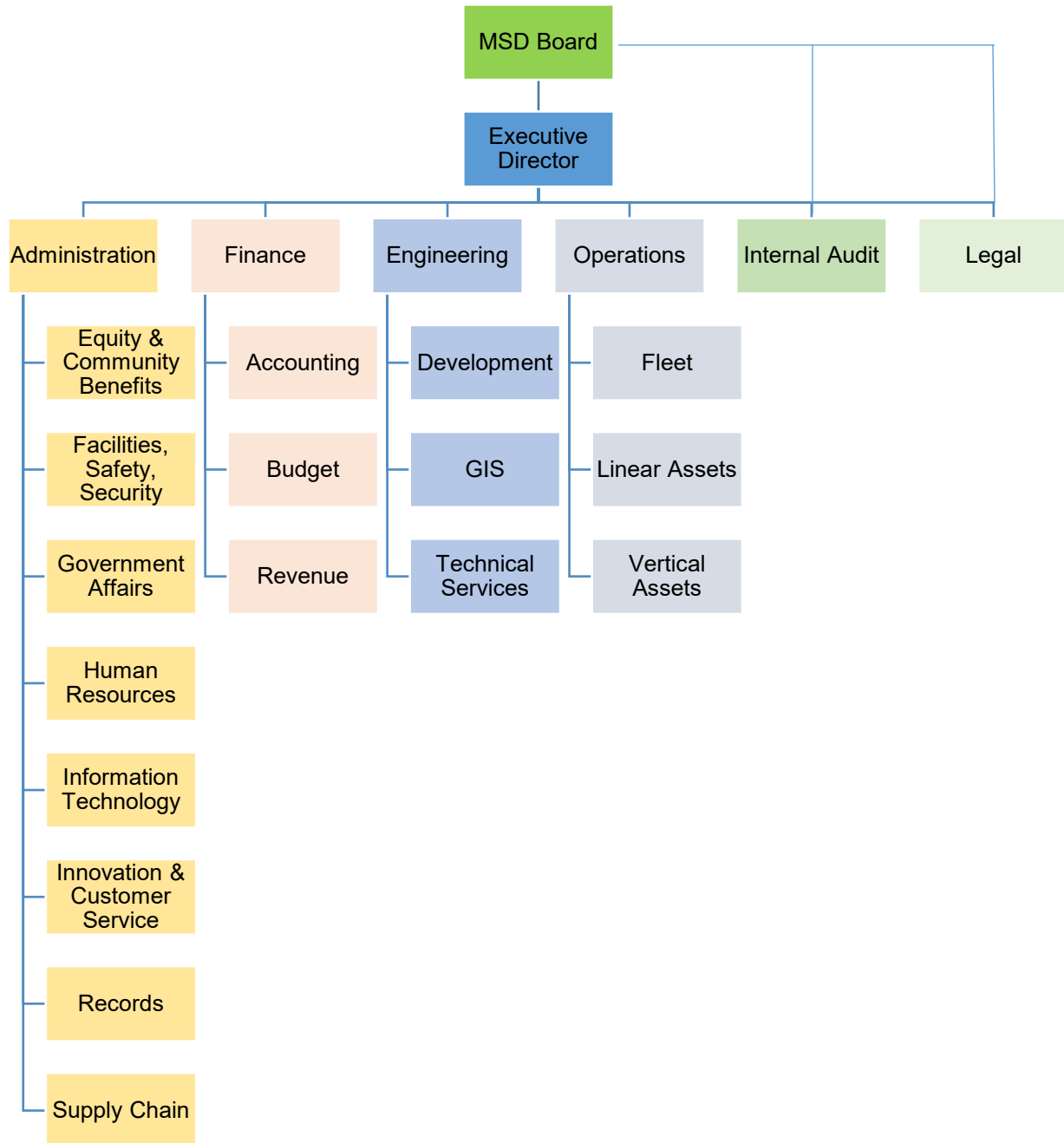
## Our Vision

The innovative regional utility for safe, clean waterways.

# LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

## Organizational Chart

June 30, 2024







## **FINANCIAL SECTION**



***MSD's Derek R. Guthrie Water Quality Treatment Center***



## 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, 2024, 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, 2024, 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 2023 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 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 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 14 through 26, the Schedule of Proportionate Share of the Net Pension Liability on page 69, the Schedule of Employer Contributions – Pension on page 71, the Schedule of Proportionate Share of the Net OPEB Liability on page 72, and the Schedule of Employer Contributions – OPEB on page 74 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 29, 2024 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 29, 2024

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

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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, 2024 and 2023. 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 2024:

- Total net position increased from fiscal 2023 to fiscal 2024 by \$128.8 million, or 12.8%.
- Total assets and deferred outflows of resources increased \$216.1 million, or 5.3%, from fiscal 2023 to fiscal 2024.
- Operating revenues increased \$34.2 million, or 8.7%, from fiscal 2023 to fiscal 2024.
- Service and administrative costs increased \$13.3 million, or 10.7%, from fiscal 2023 to fiscal 2024.
- MSD maintained unrestricted cash and investments totaling \$164.2 million as of June 30, 2024, compared to \$135.7 million as of June 30, 2023.
- MSD had 335 days cash on hand at June 30, 2024, compared to 299 days cash on hand at June 30, 2023.
- Pledged revenue coverage was 2.25x for fiscal 2024 compared to 2.08x for fiscal 2023.

#### 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.
- Pledged revenue coverage was 2.08x for fiscal 2023 compared to 1.95x for fiscal 2022.

### 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, 2024 was \$1.1 billion, an increase of \$128.8 million, or 12.8%, from June 30, 2023 (see Figure 1). Total assets and deferred outflows increased \$216.1 million, or 5.3%, to \$4.2 billion. Total liabilities and deferred inflows increased \$87.3 million, or 2.9%, to \$3.1 billion.

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.

FIGURE 1 - CONDENSED NET POSITION INFORMATION				2024-2023		2023-2022	
(amounts in thousands)	FY 2024	FY 2023	FY 2022	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Unrestricted current assets	\$ 167,444	\$ 171,322	\$ 153,423	\$ (3,878)	(2.3%)	\$ 17,899	11.7%
Restricted current assets	34,418	22,414	33,735	12,004	53.6%	(11,321)	(33.6%)
Capital assets	3,903,754	3,716,304	3,580,028	187,450	5.0%	136,276	3.8%
Unrestricted noncurrent assets	52,992	5,271	7,138	47,721	905.4%	(1,867)	(26.2%)
Restricted noncurrent assets	65,010	77,898	80,331	(12,888)	(16.5%)	(2,433)	(3.0%)
Other noncurrent assets	17,787	14,956	15,347	2,831	18.9%	(391)	(2.5%)
Total assets	4,241,405	4,008,165	3,870,002	233,240	5.8%	138,163	3.6%
Deferred outflows of resources	42,363	59,456	72,110	(17,093)	(28.7%)	(12,654)	(17.5%)
Total assets and deferred outflows	4,283,768	4,067,621	3,942,112	216,147	5.3%	125,509	3.2%
Current liabilities	36,314	17,940	20,395	18,374	102.4%	(2,455)	(12.0%)
Current liabilities from restricted assets	130,331	129,974	103,924	357	0.3%	26,050	25.1%
Noncurrent liabilities	2,906,165	2,874,580	2,846,272	31,585	1.1%	28,308	1.0%
Total liabilities	3,072,810	3,022,494	2,970,591	50,316	1.7%	51,903	1.7%
Deferred inflows of resources	77,862	40,848	48,489	37,014	90.6%	(7,641)	(15.8%)
Total liabilities and deferred inflows	3,150,672	3,063,342	3,019,080	87,330	2.9%	44,262	1.5%
Net investment in capital assets	1,040,323	955,494	891,231	84,829	8.9%	64,263	7.2%
Restricted, net	86,112	82,418	84,607	3,694	4.5%	(2,189)	(2.6%)
Unrestricted	6,661	(33,633)	(52,806)	40,294	(119.8%)	19,173	(36.3%)
Total net position	1,133,096	1,004,279	923,032	128,817	12.8%	81,247	8.8%
Total liabilities, deferred inflows & net position	\$ 4,283,768	\$ 4,067,621	\$ 3,942,112	\$ 216,147	5.3%	\$ 125,509	3.2%

Following is a discussion of significant changes in assets, liabilities, and net position between fiscal years 2024 and 2023, and between fiscal years 2023 and 2022, respectively.

**Fiscal Year 2024:**

The largest portion of MSD's net position is its net investment in capital assets. Net investment in capital assets increased \$84.9 million, or 8.9%, in fiscal 2024. Capital asset construction and acquisitions were

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

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funded in fiscal 2024 by commercial paper notes<sup>1</sup>, draws on State Revolving Fund loans<sup>2</sup>, issuance of 2023C bonds<sup>3</sup>, 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. As of June 30, 2024, the reserve is funded at 125% of the average aggregate net debt service with a combination of cash and cash equivalents, investments, and a \$75 million debt service reserve surety policy<sup>4</sup>. Restricted net position increased \$3.7 million from fiscal 2023 to fiscal 2024 due a reduction of liabilities associated with restricted debt service.

The remaining balance of MSD's net position is unrestricted and may be used for any allowable purpose. Unrestricted net position increased \$40.2 million from fiscal 2023 to fiscal 2024 primarily as the result of a reduction in other long-term liabilities.

### 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 funded in fiscal 2023 by \$115 million of commercial paper notes<sup>5</sup>, draws on State Revolving Fund loans<sup>6</sup>, 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. As of June 30, 2023, the reserve was funded at 125% of the average aggregate net debt service with a combination of cash, investments and a \$75 million debt service reserve surety policy<sup>7</sup>. 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.

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The increase in net position at June 30, 2024, was \$47.5 million, or 58.5%, as compared with June 30, 2023 (see Figure 2). MSD's total operating revenues increased by 8.7% to \$426.3 million and total operating expenses increased by 7.4% to \$259.3 million.

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<sup>1</sup> See Note 5 – Long-Term Debt

<sup>2</sup> See Note 5 – Long-Term Debt

<sup>3</sup> See Note 5 – Long-Term Debt

<sup>4</sup> See Note 2 – Cash and Investments

<sup>5</sup> See Note 5 – Long-Term Debt

<sup>6</sup> See Note 5 – Long-Term Debt

<sup>7</sup> See Note 2 – Cash and Investments

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
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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 million and total operating expenses increased by 7.8% to \$241.3 million.

<b>FIGURE 2 - CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION</b>							
	<b>2024-2023</b>			<b>2023-2022</b>			
<i>(amounts in thousands)</i>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Increase (Decrease)</b>	<b>% Change</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Operating revenues							
Service charges	\$ 414,192	\$ 385,163	\$356,870	\$ 29,029	7.5%	\$ 28,293	7.9%
Other operating income	12,083	6,863	8,497	5,220	76.1%	(1,634)	(19.2%)
Total operating revenues	426,275	392,026	365,367	34,249	8.7%	26,659	7.3%
Non-operating revenues	22,951	4,283	9,001	18,668	435.9%	(4,718)	(52.4%)
Total revenues	449,226	396,309	374,368	52,917	13.4%	21,941	5.9%
Operating expenses							
Service and administrative costs	137,929	124,641	118,978	13,288	10.7%	5,663	4.8%
GASB 68/75 pension expense	(9,986)	2,132	8,725	(12,118)	(568.4%)	(6,593)	(75.6%)
Depreciation & amortization expense	131,336	114,562	103,964	16,774	14.6%	10,598	10.2%
Total operating expenses	259,279	241,335	231,667	17,944	7.4%	9,668	4.2%
Non-operating expenses							
Interest expense	102,312	104,100	101,703	(1,788)	(1.7%)	2,397	2.4%
Amortization of debt discount/premium	(5,870)	(9,558)	(13,404)	3,688	(38.6%)	3,846	(28.7%)
Change in fair value - swaps	(5,009)	(7,614)	(11,293)	2,605	(34.2%)	3,679	(32.6%)
Total non-operating expenses	91,433	86,928	77,006	4,505	5.2%	9,922	12.9%
Total expenses	350,712	328,263	308,673	22,449	6.8%	19,590	6.3%
Income before capital contributions	98,514	68,046	65,695	30,468	44.8%	2,351	3.6%
Capital contributions	30,303	13,201	9,572	17,102	129.6%	3,629	37.9%
Increase (decrease) in net position	128,817	81,247	75,267	47,570	58.5%	5,980	7.9%
Net position - Beginning	1,004,279	923,032	847,765	81,247	8.8%	75,267	8.9%
Net position - Ending	\$1,133,096	\$1,004,279	\$923,032	\$ 128,817	12.8%	\$ 81,247	8.8%

Following is a discussion of the primary reasons for changes in MSD's revenues and expenses between fiscal years 2024 and 2023, and between fiscal years 2023 and 2022, respectively.

**Fiscal Year 2024:**

Operating revenues increased by \$34.2 million, or 8.7%, to \$426.3 million primarily due to wastewater and drainage service charge rate increases. Wastewater and drainage service charges in the Jefferson County service area increased 6.9% on August 1, 2023. Wastewater service charges in Oldham County increased 5.0% on August 1, 2023. Wastewater service charge rates in the Bullitt County service area increased 12.0% on January 1, 2024. Other operating revenues increased \$5.2 million, primarily due to capacity charges and system development surcharges.

Operating expenses increased by \$17.9 million, or 7.4%, to \$259.3 million primarily due to higher depreciation and amortization expenses. The increase was partially offset by a reduction in GASB 68 pension expense and GASB 75 OPEB expense.

**Fiscal Year 2023:**

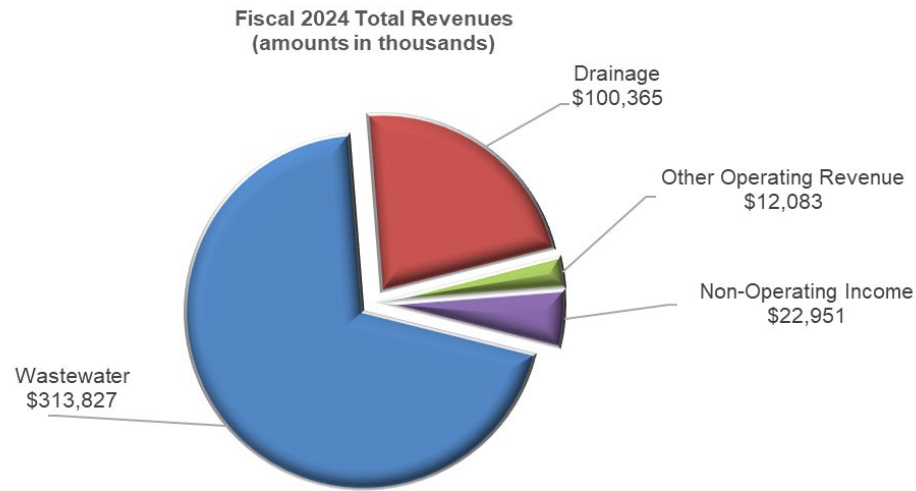
Operating revenues increased by \$26.6 million, or 7.3%, to \$392.0 million primarily due to a 5.0% rate increase effective August 1, 2022, to wastewater and drainage service charges in the Jefferson County service area. Wastewater rates in the Bullitt County service area increased 12.0% on January 1, 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 pension expense and GASB 75 OPEB expense.

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

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### Fiscal 2024 Total Revenues:



Wastewater service charges totaled \$313.8 million which is an increase of \$23.1 million, or 8.0%, from fiscal 2023. Wastewater service charge rates increased 6.9% and 5.0% in Jefferson County and Oldham County, respectively, on August 1, 2023. Wastewater service charge rates increased 12.0% in Bullitt County on January 1, 2024. An expansion of a major distillery in Jefferson County also contributed to higher wastewater service charges during fiscal year 2024.

Drainage service charges totaled \$100.3 million which is an increase of \$5.9 million, or 6.2%, from fiscal 2023. Drainage service charge rates in Jefferson County increased 6.9% on August 1, 2023.

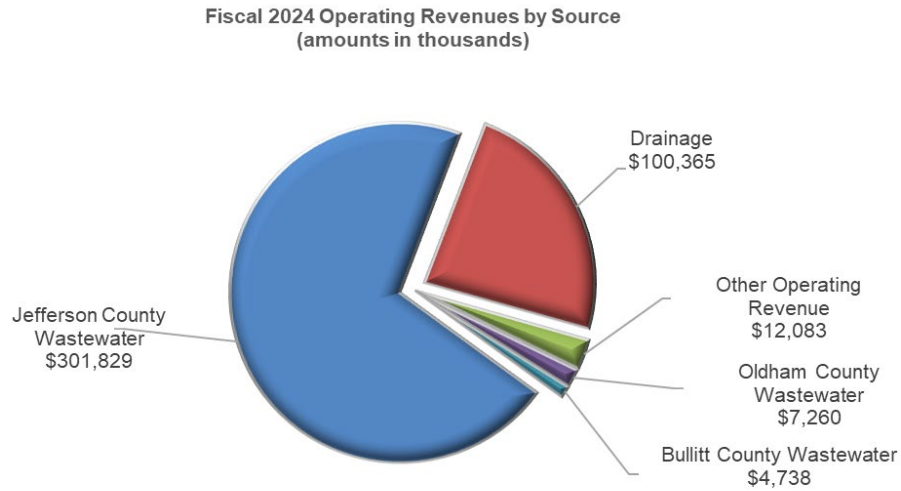
Other operating income totaled \$12 million, which is an increase of \$5.2 million, or 76.1%, from fiscal 2023. This increase was driven by capacity fees and inflow and infiltration fees in fiscal 2024.

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 \$22.9 million, which is an increase of \$18.6 million, or 435.9%, from fiscal 2023. Interest income earned driven by higher interest rates was the primary driver of the increase in non-operating revenues.



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

### Fiscal 2024 Operating Revenues by Source:

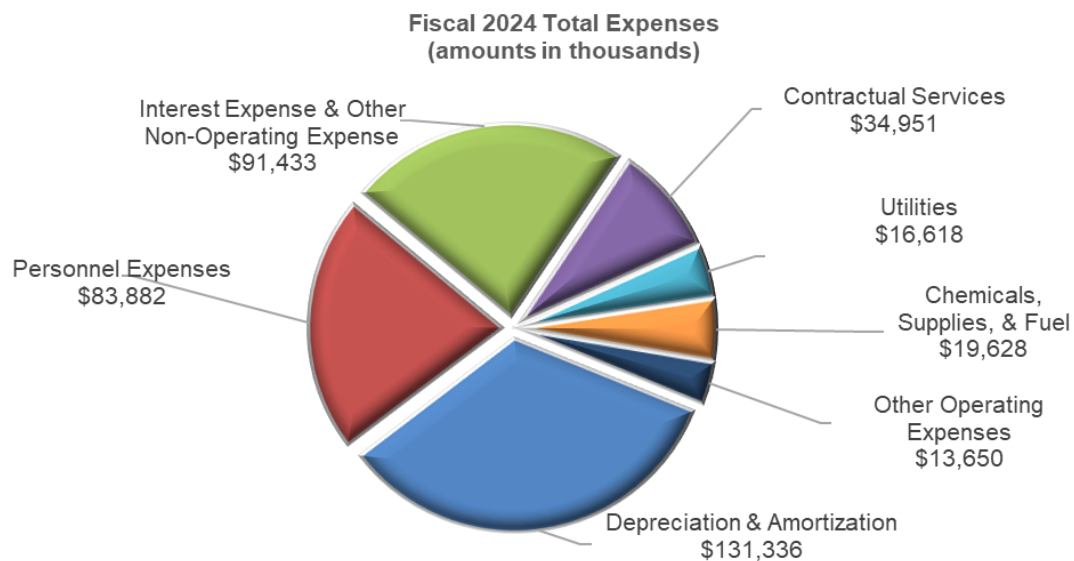


Wastewater service charges totaled \$313.8 million and consisted of \$301.8 million for MSD's Jefferson County service area, \$7.3 million for MSD's Oldham County service area and \$4.7 million for MSD's Bullitt County service area. Wastewater service charges were 57.5% Residential, 32.1% Commercial and 10.4% Industrial.

Drainage service charges totaled \$100.3 million and consisted of MSD's Jefferson County drainage service area. Drainage service charges were 38.9% Residential, 54.2% Commercial and 6.9% Industrial.

Other operating revenue totaled \$12.0 million and consisted of \$11.8 million for Jefferson County, \$17.0 thousand for Oldham County and \$211.0 thousand for Bullitt County.

### Fiscal 2024 Total Operating Expenses:



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

Personnel expenses decreased \$4.7 million, or 5.3%, to \$83.8 million primarily due to reduced GASB 68 pension and GASB 75 OPEB expenses thanks to improved investment performance compared to fiscal 2023<sup>8</sup>.

Contractual services increased by \$3.3 million, or 10.3% to \$34.9 million.

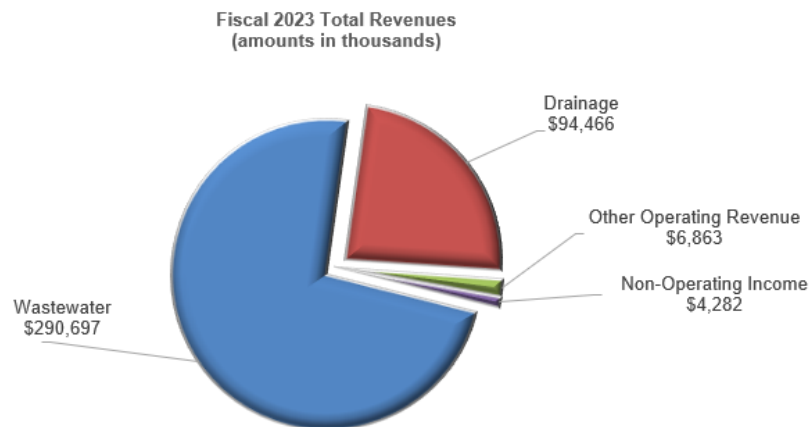
Utility expenses decreased \$2.2 million, or 11.8%, to \$16.6 million due to decreases in electric and natural gas consumption and decreased water usage.

Interest expense and other non-operating expenses increased by \$4.5 million, or 5.2% to \$91.4 million primarily due to the issuance of the 2023C revenue bonds<sup>9</sup>.

Depreciation and amortization increased by \$16.8 million, or 14.6%, to \$131.3 million as \$192.9 million in new assets were placed into service during fiscal year 2024<sup>10</sup>.

Total expenses in fiscal 2024 increased \$22.0 million, or 6.0%, to \$391.5 million before capitalization. Capitalized overhead totaled \$40.8 million bringing net total expenses to \$350.7 million.

### 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, and 12.0% in Bullitt County on January 1, 2023.

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 Alberta O. Jones Park and Waterfront Park.

<sup>8</sup> See Note 12 – Defined Benefit Pension and Other Postemployment Benefits Plan - Cost Sharing - CERS

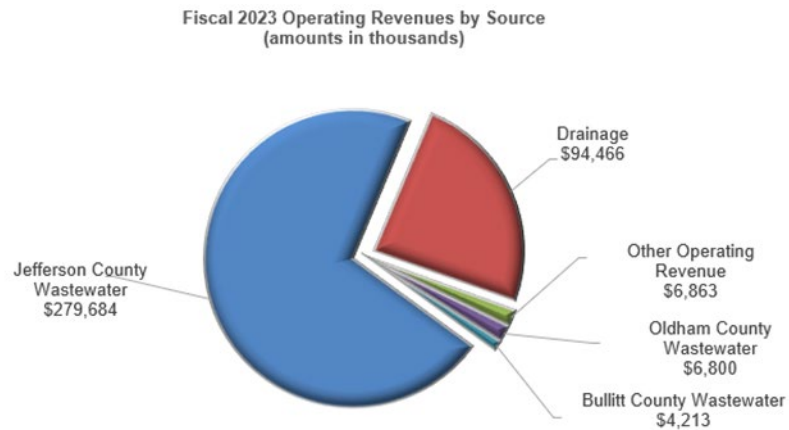
<sup>9</sup> See Note 5 – Long Term Debt

<sup>10</sup> See note 4 – Capital Assets

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

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### Fiscal 2023 Operating Revenues by Source:

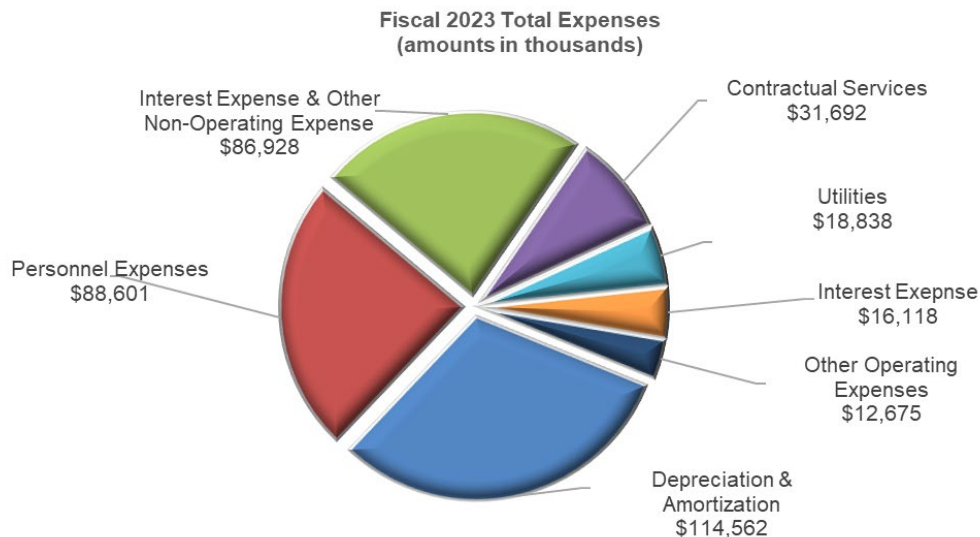


Wastewater service charges totaled \$290.6 million and consisted of \$279.6 million for MSD's Jefferson County service area, \$6.8 million for MSD's Oldham County service area and \$4.2 million for MSD's Bullitt County service area. Wastewater service charges were 58.9% Residential, 32.5% Commercial 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:



**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
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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 2022<sup>11</sup>.

Contractual services increased slightly by \$404.0 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 bonds<sup>12</sup>.

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 2023<sup>13</sup> and as MSD implemented GASB 96<sup>14</sup>.

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.

**Capital Contributions:**

Capital contributions increased \$17.1 million, or 129.6%, to \$30.3 million in fiscal 2024 (see Figure 3). This increase is primarily attributable to an increase in Federal grant 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.

<b>FIGURE 3 - CAPITAL CONTRIBUTIONS</b>							
			<b>2024-2023</b>		<b>2023-2022</b>		
<i>(amounts in thousands)</i>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Increase (Decrease)</b>	<b>% Change</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Cash flows from:							
Developer's capital - wastewater	\$ 4,005	\$ 3,649	\$ 3,068	\$ 356	9.8%	\$ 581	18.9%
Developer's capital - drainage	7,340	8,294	3,841	(954)	100.0%	4,453	0.0%
Federal grants	18,277	1,436	2,611	16,841	1172.8%	(1,175)	(45.0%)
Capital recovery	681	(178)	52	859	100.0%	(230)	0.0%
<b>Total capital contributions</b>	<b>\$ 30,303</b>	<b>\$ 13,201</b>	<b>\$ 9,572</b>	<b>\$ 17,102</b>	<b>129.6%</b>	<b>\$ 3,629</b>	<b>37.9%</b>

<sup>11</sup> See Note 12 – Defined Benefit Pension and Other Postemployment Benefits Plan - Cost Sharing - CERS

<sup>12</sup> See Note 5 – Long Term Debt

<sup>13</sup> See note 4 – Capital Assets

<sup>14</sup> See Note 4 – Capital Assets

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
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**CAPITAL ASSETS**

Total capital assets net of depreciation increased \$185.0 million, or 5.4%, to \$3.6 billion in fiscal 2024 (see Figure 4)<sup>15</sup>. Construction in progress was the driver for the growth in 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)<sup>16</sup>. Construction in progress was the driver for the growth in capital assets.

**FIGURE 4 - CAPITAL ASSETS NET OF DEPRECIATION AND AMORTIZATION**

(amounts in thousands)	FY 2024	FY 2023	FY 2022	Increase (Decrease) 2024-2023	% Change	Increase (Decrease) 2023-2022	% Change
Sewer lines	\$ 1,717,845	\$ 1,712,607	\$ 1,638,136	\$ 5,238	0.3%	\$ 74,471	4.5%
Wastewater treatment facilities	384,515	277,003	242,875	107,512	38.8%	34,128	14.1%
Drainage facilities	835,920	900,625	787,664	(64,705)	-7.2%	112,961	14.3%
Pumping and lift stations	163,376	157,877	160,774	5,499	3.5%	(2,897)	-1.8%
Administrative facilities	23,726	8,833	9,273	14,893	168.6%	(440)	-4.7%
Maintenance facilities	7,660	12,429	6,851	(4,769)	-38.4%	5,578	81.4%
Machinery and equipment	21,354	23,927	23,625	(2,573)	-10.8%	302	1.3%
Miscellaneous	19,096	24,495	3,607	(5,399)	-22.0%	20,888	579.1%
Prepaid regulatory assets	284,728	283,043	287,021	1,685	0.6%	(3,978)	-1.4%
Intangible subscription assets	6,882	6,093	-	789	12.9%	6,093	100.0%
Construction in progress	438,652	309,372	420,200	129,280	41.8%	(110,828)	-26.4%
Total	<u>\$ 3,903,754</u>	<u>\$ 3,716,304</u>	<u>\$ 3,580,026</u>	<u>\$ 187,450</u>	<u>5.0%</u>	<u>\$ 136,278</u>	<u>3.8%</u>

**DEBT ADMINISTRATION**

MSD ended fiscal 2024 with \$2.6 billion in outstanding long-term debt, an increase of \$35 million compared to the end of fiscal 2023<sup>17</sup> (see Figure 5). This is primarily due to the issuance of Series 2023C revenue bonds and additional commercial paper to finance construction in progress. Short term debt outstanding, payable from restricted assets, totaled \$64.8 million at the end of fiscal 2024 compared to \$62.6 million at the end of fiscal 2023.

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 2022<sup>18</sup> (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 \$62.6 million at the end of fiscal 2023 compared to \$54.9 million at the end of fiscal 2022.

<sup>15</sup> See Note 4 – Capital Assets

<sup>16</sup> See Note 4 – Capital Assets

<sup>17</sup> See Note 5 – Long-Term Debt

<sup>18</sup> See Note 5 – Long-Term Debt

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**FIGURE 5 - SCHEDULE OF BONDS AND OTHER FINANCING**

<i>(amounts in thousands)</i>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Increase (Decrease) 2024-2023</b>	<b>Increase (Decrease) 2023-2022</b>
<b>Senior Revenue Bonds</b>					
Series 2009C	\$ 180,000	\$ 180,000	\$ 180,000	\$ -	\$ -
Series 2010A	330,000	330,000	330,000	-	-
Series 2013A	-	-	115,790	-	(115,790)
Series 2013B	89,300	107,515	109,280	(18,215)	(1,765)
Series 2013C	-	-	125	-	(125)
Series 2014A	77,280	79,600	79,650	(2,320)	(50)
Series 2015A	168,525	170,845	171,395	(2,320)	(550)
Series 2015B	59,865	62,995	65,975	(3,130)	(2,980)
Series 2016A	145,470	146,540	147,500	(1,070)	(960)
Series 2016B	16,585	17,830	19,910	(1,245)	(2,080)
Series 2016C	-	-	12,995	-	(12,995)
Series 2017A	138,035	143,280	149,390	(5,245)	(6,110)
Series 2017B	13,505	30,245	31,210	(16,740)	(965)
Series 2018A	60,380	60,380	60,380	-	-
Series 2019A	-	-	8,845	-	(8,845)
Series 2020A	221,355	223,000	224,000	(1,645)	(1,000)
Series 2020B	33,137	-	-	33,137	-
Series 2020C	37,790	108,415	109,605	(70,625)	(1,190)
Series 2021A	214,665	227,720	240,485	(13,055)	(12,765)
Series 2022A	223,500	224,250	224,750	(750)	(500)
Series 2023A	49,745	49,745	-	-	49,745
Series 2023B	41,950	41,950	-	-	41,950
Series 2023C	348,380	-	-	348,380	-
<b>Bond Anticipation Notes</b>					
Series 2021A	-	-	226,340	-	(226,340)
Series 2022A	-	226,340	-	(226,340)	226,340
<b>Other Subordinate Debt</b>					
General Obligation Bonds	8,987	9,894	10,774	(907)	(880)
Commercial Paper Notes	212,195	165,000	50,000	47,195	115,000
SRF Loans	43,043	39,797	39,998	3,246	(201)
KACO Lease	1,525	1,700	1,870	(175)	(170)
	<u>\$ 2,715,217</u>	<u>\$ 2,647,041</u>	<u>\$ 2,610,267</u>	<u>\$ 68,176</u>	<u>\$ 36,774</u>

*Excludes bond premiums/discounts*

**Pledged Revenue Debt Service Ratio:**

Although net operating income is the most significant component of determining MSD's pledged revenue 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 110.0% 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

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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 pledged revenue debt service coverage ratio<sup>19</sup>, calculated on the foregoing basis, was 225.2% in 2024, 208.1% in 2023 and 195.4% in 2022. (see Figure 6).

<b>FIGURE 6 - PLEDGED REVENUE DEBT SERVICE COVERAGE</b>					
<i>(amounts in thousands)</i>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>Increase (Decrease) 2024-2023</b>	<b>Increase (Decrease) 2023-2022</b>
Total available revenues	\$449,723	\$411,058	\$374,827	9.4%	9.7%
Total net operating expenses	<u>137,930</u>	<u>124,641</u>	<u>118,978</u>	<u>10.7%</u>	<u>4.8%</u>
Net revenue	311,793	286,417	255,849	8.9%	11.9%
Aggregate net debt service	\$138,465	\$137,613	\$130,925	0.6%	5.1%
Debt service coverage ratio	225.2%	208.1%	195.4%	8.2%	6.5%

<sup>19</sup> 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)**

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**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+

**RATES**

On May 28, 2024, MSD adopted a 5-year capital improvement plan for Jefferson County totaling \$1.2 billion. Of this total, 86.0% is allocated to compliance with regulatory requirements, including the terms of the Second Amended Consent Decree. MSD plans to finance up to 72.0% of the 5-year plan with additional debt. The MSD Board has approved a 6.9% rate increase for wastewater and drainage service charges for the Jefferson County service area effective August 1, 2024. Additional rate increases will be required within the next 5 years to maintain the financial metrics required to support the new debt without negatively impacting MSD's existing credit rating.

On May 28, 2024, MSD adopted a 5-year capital improvement program for Oldham County totaling \$24.1 million. Of this total, 98.0% is allocated to compliance with regulatory requirements. Pursuant to the terms of an Interlocal Cooperation Agreement, on July 29, 2024, the MSD Board approved a 5.0% increase in the wastewater volume charge for MSD's Oldham County service area effective August 1, 2024. Additional rate increases will be required within the next 5 years to fund the capital improvement program.

On May 28, 2024, MSD adopted a 5-year capital improvement program for Bullitt County totaling \$46.7 million. Of this total, 98.0% is allocated to compliance with regulatory requirements. Additional rate increases will be required within the next 5 years to fund the capital improvement program.

For additional information see Note 10, Commitments and Contingencies, and Note 11, Subsequent Events.

**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 usage 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](http://www.msdlouky.org).



**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2024**  
*(With Summarized Financial Information as of June 30, 2023)*  
*(amounts in thousands)*

	<b>2024</b>	<b>2023</b>
<b>Current Assets</b>		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 55,863	\$ 66,305
Investments	60,002	69,417
Accounts receivable, less allowance for doubtful accounts of \$2,341 (2024), \$2,095 (2023)	44,148	28,963
Inventories	6,264	5,811
Accrued interest receivable	981	588
Prepaid expenses and other current assets	186	238
Total unrestricted current assets	<u>167,444</u>	<u>171,322</u>
Restricted Current Assets		
Cash and cash equivalents	23,366	22,414
Investments	11,052	-
Total restricted current assets	<u>34,418</u>	<u>22,414</u>
<b>Total Current Assets</b>	<u>201,862</u>	<u>193,736</u>
<b>Noncurrent Assets</b>		
Unrestricted Noncurrent Assets		
Investments	48,369	-
Accounts receivable, noncurrent	4,623	5,271
Total unrestricted noncurrent assets	<u>52,992</u>	<u>5,271</u>
Restricted Noncurrent Assets		
Cash and cash equivalents	629	3,067
Investments	64,381	74,831
Total restricted noncurrent assets	<u>65,010</u>	<u>77,898</u>
Capital Assets		
Utility plant in service	4,795,037	4,625,654
Less allowance for depreciation	(1,621,545)	(1,507,858)
Net utility plant in service	<u>3,173,492</u>	<u>3,117,796</u>
Construction in progress	438,652	309,372
Prepaid regulatory assets, net of amortization	284,728	283,043
Subscription assets, net of amortization	6,882	6,093
Net capital assets	<u>3,903,754</u>	<u>3,716,304</u>
Other Noncurrent Assets		
Unamortized bond issuance costs	14,501	14,221
Unamortized reserve fund insurance	705	735
Net OPEB asset	2,581	-
Total other noncurrent assets	<u>17,787</u>	<u>14,956</u>
<b>Total Noncurrent Assets</b>	<u>4,039,543</u>	<u>3,814,429</u>
<b>Total Assets</b>	<u>4,241,405</u>	<u>4,008,165</u>
<b>Deferred Outflow of Resources</b>		
Deferred outflow - pension	21,916	20,102
Deferred outflow - OPEB	9,587	16,397
Unamortized loss on refunding	10,860	22,957
Total deferred outflow of resources	<u>42,363</u>	<u>59,456</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u><u>\$ 4,283,768</u></u>	<u><u>\$ 4,067,621</u></u>

*See accompanying Notes to the Comparative Financial Statements.*

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2024**  
*(With Summarized Financial Information as of June 30, 2023)*  
*(amounts in thousands)*

	<u>2024</u>	<u>2023</u>
<b>Current Liabilities</b>		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 26,011	\$ 8,126
Accrued salaries and related benefits	10,303	9,814
Total unrestricted current liabilities	<u>36,314</u>	<u>17,940</u>
Current Liabilities To Be Paid From Restricted Assets		
Accounts payable and accrued expenses (capital), includes contractor retainage of \$13,946 (2024), \$6,272 (2023)	48,188	38,706
Accrued interest payable	13,316	17,895
Refundable deposits	1,689	2,142
Revenue bonds payable	53,985	52,375
Bond anticipation note	-	7,000
Short term commercial paper notes	7,325	7,145
Other subordinate debt	3,476	3,095
Subscription asset liability	2,352	1,616
Total restricted current liabilities	<u>130,331</u>	<u>129,974</u>
<b>Total Current Liabilities</b>	<u>166,645</u>	<u>147,914</u>
<b>Noncurrent Liabilities</b>		
Bonds payable, net	2,506,367	2,249,954
Bond anticipation note	-	212,195
Commercial paper notes	204,870	165,000
Other subordinate debt	50,079	48,296
Net pension liability	119,970	132,407
Net OPEB liability	-	36,145
Investment derivative asset liability	21,204	27,247
Subscription asset liability	3,675	3,336
<b>Total Noncurrent Liabilities</b>	<u>2,906,165</u>	<u>2,874,580</u>
<b>Total Liabilities</b>	3,072,810	3,022,494
<b>Deferred Inflow of Resources</b>		
Deferred inflow - pension	15,528	6,605
Deferred inflow - OPEB	42,288	15,030
Deferred inflow - derivative instruments	18,311	17,277
Other deferred inflows	1,735	1,936
Total deferred inflow of resources	<u>77,862</u>	<u>40,848</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<u><b>\$ 3,150,672</b></u>	<u><b>\$ 3,063,342</b></u>
<b>Net Position</b>		
Net investment in capital assets	\$ 1,040,323	\$ 955,494
Net restricted assets	86,112	82,418
Unrestricted	6,661	(33,633)
Total net position	<u>1,133,096</u>	<u>1,004,279</u>
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<u><b>\$ 4,283,768</b></u>	<u><b>\$ 4,067,621</b></u>

*See accompanying Notes to the Comparative Financial Statements.*

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**AS OF JUNE 30, 2024**  
*(With Summarized Financial Information as of June 30, 2023)*  
*(amounts in thousands)*

	<b>2024</b>	<b>2023</b>
<b>Operating Revenues</b>		
Service charges	\$ 414,192	\$ 385,163
Other operating income	12,083	6,863
Total operating revenues	<u>426,275</u>	<u>392,026</u>
<b>Operating Expenses</b>		
Service and administrative costs	137,929	124,641
GASB 68 pension/GASB 75 OPEB actuarial (income) expense	(9,986)	2,132
Depreciation and amortization	131,336	114,562
Total operating expenses - net	<u>259,279</u>	<u>241,335</u>
<b>Income from Operations</b>	<u>166,996</u>	<u>150,691</u>
<b>Non-operating Revenue (Expenses)</b>		
Gain/Loss disposal of assets	(111)	-
Transfer of assets	-	(14,320)
Investment income	13,618	7,253
Build America bond refund	9,444	11,350
Interest expense - bonds	(98,705)	(91,736)
Interest expense - derivative instruments	(1,706)	(3,988)
Interest expense - other	(14,650)	(15,337)
Amortization of debt discount / premium	7,312	13,189
Amortization of loss on refunding	(1,442)	(3,631)
Capitalized interest	12,749	6,961
Change in fair value - swaps	5,009	7,614
Total non-operating revenue (expenses) - net	<u>(68,482)</u>	<u>(82,645)</u>
<b>Income before capital contributions</b>	98,514	68,046
<b>Capital contributions</b>	<u>30,303</u>	<u>13,201</u>
<b>Increase in net position</b>	128,817	81,247
<b>Net position, beginning</b>	<u>1,004,279</u>	<u>923,032</u>
<b>Net position, ending</b>	<u>\$ 1,133,096</u>	<u>\$ 1,004,279</u>

*See accompanying Notes to the Comparative Financial Statements.*

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**AS OF JUNE 30, 2024**  
*(With Summarized Financial Information as of June 30, 2023)*  
*(amounts in thousands)*

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 424,067	\$ 393,303
Cash paid to suppliers	(96,351)	(106,443)
Cash paid to employees	(64,526)	(59,643)
<b>Net Cash Provided by Operating Activities</b>	<u>263,190</u>	<u>227,217</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of revenue bonds	127,575	-
Proceeds from issuance of bond anticipation note	-	229,468
Proceeds from issuance of commercial paper	2,498,755	595,000
Proceeds from other subordinate debt	5,316	1,282
Payments for retirement of revenue bonds	(52,877)	(57,455)
Payments for retirement of bond anticipation note	(226,340)	(226,340)
Payments for retirement of commercial paper	(2,251,560)	(480,000)
Payments for retirement of other subordinated debt	(3,153)	(2,533)
Payments for interest expense	(117,933)	(105,800)
Payments for interest on derivative instruments	(1,706)	(3,988)
Build America bond interest subsidy	10,360	9,061
Proceeds from capital grants	3,912	(88)
Proceeds from sales of capital assets	21	-
Payments for capital assets	(241,621)	(190,945)
Proceeds from assessments	704	1,956
<b>Net Cash Provided (Used) by Capital and Related Financing</b>	<u>(248,547)</u>	<u>(230,382)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(302,136)	(142,894)
Maturity of investments	265,231	160,468
Investment income	10,334	5,523
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(26,571)</u>	<u>23,097</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,928)	19,932
Cash and Cash Equivalents, Beginning of Year	91,786	71,854
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 79,858</u></u>	<u><u>\$ 91,786</u></u>

*See accompanying Notes to the Comparative Financial Statements.*

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**AS OF JUNE 30, 2024**  
*(With Summarized Financial Information as of June 30, 2023)*  
*(amounts in thousands)*

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Operating Income to Net Cash provided by Operating Activities</b>		
Income from operations	\$ 166,996	\$ 150,691
Adjustments to reconcile operating income to net cash provided by operating activities		
Capitalized overhead	(40,786)	(41,151)
Depreciation and amortization	131,336	114,562
Accounts receivable	(1,754)	1,054
Inventories	(452)	(549)
Prepaid expense	(84)	2,711
Accounts payable	17,886	(1,681)
Customer deposits	(453)	222
Accrued liabilities	488	(774)
Pension liability and deferred inflows and outflows of resources	(5,328)	(1,630)
OPEB liability and deferred inflows and outflows of resources	(4,659)	3,762
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 263,190</u>	<u>\$ 227,217</u>
<b>Non-Cash Capital Financing and Investing Activities</b>		
Contribution of plant, lines and other facilities by developers and property owners	\$ 11,345	\$ 11,943
Construction costs in accounts payable	48,188	38,706
Transfer of assets	-	14,320
Unrealized (gain)/loss on investments	(3,139)	(2,040)
Decrease in interest rate swap deferred revenue	(226)	474
Change in fair value - derivative instruments	5,009	7,614
Bonds issued for refunding of debt - Series 2013A	-	91,695
Bonds issued for refunding of debt - Series 2013B and 2020C	288,840	-

*See accompanying Notes to the Comparative Financial Statements.*

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

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

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## **LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**

### **NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS**

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#### **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). To comply with industry accounting standards and adhere to transactional intent, MSD, as a regulated operation under GASB 62, applies ASC 980, Regulated Accounting, where applicable. 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's financial statements for the year ended June 30, 2023, 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 § 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**

### **NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS**

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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. Louisville Metro ordinance § 50.24 requires that when MSD's net revenues are less than 1.1 times the debt service on outstanding revenue bonds for any consecutive six-month period, the MSD Board shall amend the schedule of wastewater and drainage service charges in order to maintain 1.1 times coverage so long as the amended rates do not generate additional revenue from service charges in excess of 7.0% during the succeeding twelve-month period. Amendments that would generate additional revenues in excess of 7.0% 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 to use revenue from operations to finance construction, then to reimburse from restricted net position for construction as needed.

#### **Investment Securities:**

Kentucky Revised Statute § 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 selling an investment before its maturity and reinvesting the proceeds can enhance the portfolio's yield, then this action is permitted. Investments are stated at fair value. Investment income consists of interest income and the change in fair value of investments. Investment income is reduced by any applicable estimated federal arbitrage liability.

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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#### 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. Under contractual agreements, Louisville Water Company and Oldham County Water District are responsible for the billing and collection of wastewater and drainage service charges on behalf of MSD. Operating expenses are expenses incurred through the activities of operating and maintaining MSD utility plant, lines, and equipment.

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 \$2,341,086 on June 30, 2024.

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 assets and other related equipment. Inventory totaled \$6,264,017 on June 30, 2024.

#### Utility Plant, Lines, and Equipment:

Utility plant, lines, and equipment are capitalized when the unit cost is greater than or equal to \$10,000. These assets are recorded at historical cost which includes acquisition or construction costs and internal overhead costs during construction. Capitalized assets are depreciated over their projected useful lives using the straight-line method. The estimated useful lives for these 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
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 line rehabilitation, wastewater treatment facilities, drainage facilities, and flood protection systems. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized.

#### Capital Contributions:

Capital Contributions consist of infrastructure contributed from developers and grant proceeds received from government agencies.

Assets acquired through contributions are recorded at estimated acquisition value at the date of contribution. Contributed assets in the form of sewer and drainage infrastructure constructed by developers during fiscal year 2024 totaled \$11,344,715.

## **LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**

### **NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS**

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Governmental grants represent the estimated portion of 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. Governmental grants for fiscal year 2024 expenditures totaled \$18,277,341.

#### **Intangible Subscription Assets:**

In accordance with GASB Statement No. 96, MSD records the intangible right to use certain assets provided through subscription based information technology agreements and accrues a liability for future payments under these agreements. MSD expenses subscription based information technology agreements with a total contract value of less than \$150,000.

#### **Prepaid Regulatory Assets:**

In accordance with the provisions for regulated utility entities under GASB 62, MSD follows the practice of recognizing the interest incurred as part of the cost of acquiring assets that are debt-financed for rate-making purposes as a capital asset. MSD amortizes capitalized interest over a period of forty years.

#### **Bonds Payable:**

Bonds payable are recorded at the principal amount outstanding, net of any applicable premium or discount. Original issue discounts and premiums on bonds are amortized as a component of interest expense using the straight-line method, which approximates the effective interest method, over the lives of the bonds to which they relate.

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.

Bond issuance 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.

#### **Derivative Instruments:**

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 Position.

#### **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.

#### **Income Tax Status:**

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

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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#### 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.

#### 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.

#### Adoption of New Accounting Pronouncements:

Effective July 1, 2023, MSD adopted the following GASB Statements:

- GASB Statement 99, *Omnibus 2022*. The requirements of this statement related to financial guarantees and classification and reporting of derivative instruments within the scope of Statement 53 were effective for fiscal years beginning after June 15, 2023. The objective of these requirements is to improve the consistency of authoritative literature by addressing accounting and reporting for financial guarantees.
- 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.
- GASB Implementation Guide No. 2021-1, *Implementation Guidance Update – 2021*. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements.
- GASB Implementation Guide No. 2023-1, *Implementation Guidance Update – 2023*. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements.

Adoption of GASB Statements No. 99, No. 100, Implementation Guide No. 2021-1 and Implementation Guide No. 2023-1 do not have a material impact on MSD's financial reporting.

#### 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. 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 begins July 1, 2024.
- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement will take effect for financial statements starting with the fiscal year that begins July 1, 2024.

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

- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement will take effect for financial statements starting with the fiscal year that begins July 1, 2025.

**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, 2024.

<i>(dollars in thousands)</i>	June 30, 2024
Reported in Statements of Net Position:	
Cash and cash equivalents	
Unrestricted	\$ 55,863
Restricted - current	23,366
Restricted - noncurrent	629
Total cash and cash equivalents	<u>79,858</u>
Investments	
Unrestricted - current	60,002
Unrestricted - noncurrent	48,369
Restricted - current	11,052
Restricted - noncurrent	64,381
Total investments	<u>183,804</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 263,662</u>

**Deposits:**

As of June 30, 2024, MSD's depository bank is JP Morgan Chase. MSD's deposits are fully collateralized and/or covered by federal depository insurance. At June 30, 2024, the collateral pledged was a Letter of Credit from the Federal Home Loan Bank of Cincinnati under MSD's name. At June 30, 2024, the bank balance of MSD's demand account was \$28,831,216.

**Investments:**

As of June 30, 2024, MSD's investments include securities issued by the United States government and its agencies and instrumentalities, municipal securities, money market funds, corporate commercial paper and a certificate of deposit. Securities purchased by MSD are held in custody either by Bank of New York Mellon or Fifth Third Securities. The certificate of deposit is with Liberty Bank. Investments are reported at fair value as of June 30, 2024.

# LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

## NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

The following table presents information related to MSD's investments at June 30, 2024.

<i>(dollars in thousands)</i>	Reported Value	Weighted Average Maturity in Years	Moody's Credit Rating
U.S. treasury bills	11,994	0.002	Aaa
U.S. treasuries	80,811	0.990	Aaa
U.S. agency discount notes	8,107	0.004	Aaa
U.S. agency securities	37,808	1.100	Aaa
Commercial paper	2,362	0.340	P-1
Municipal bonds	42,622	0.720	Aa1
Money market funds	49,181	0.000	-
Cash	30,677	0.000	-
Certificate of deposit	100	0.630	-
Total cash, cash equivalents and investments	\$ 263,662	3.79	
Accrued interest	\$ 981		

### 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, 2024, 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. Restricted fund investments in state and local governments must be rated in one of the two highest rating categories. As of June 30, 2024, the lowest rated municipal security held by MSD was Aa1.

**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 § 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, 2024.

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of a financial institution, MSD's deposits or collateral securities would not be returned to it. MSD considers the collateral provided by financial institutions with who it does business adequate to cover all deposits in excess of limits set forth by the Federal Deposit Insurance Corporation.

### 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 COMPARATIVE FINANCIAL STATEMENTS**

The following table summarizes MSD's investments subject to fair value measurements and valuation techniques as of June 30, 2024.

<i>(dollars in thousands)</i>	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	\$ -	\$ 92,805	\$ -	\$ 92,805
U.S. agency discount notes	-	8,107	-	8,107
U.S. agency securities	-	37,808	-	37,808
Commercial paper	-	2,362	-	2,362
Municipal bonds	-	42,722	-	42,722
Total investments by fair value level	<u>\$ -</u>	<u>\$ 183,804</u>	<u>\$ -</u>	<u>\$ 183,804</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, 2024.

<i>(dollars in thousands)</i>	June 30, 2024
Debt service reserve	\$ 65,010
Debt service	<u>24,107</u>
Total restricted cash & investments	<u>\$ 89,117</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 COMPARATIVE FINANCIAL STATEMENTS**

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

<i>(dollars in thousands)</i>	June 30, 2024
Debt service reserve	\$ 65,010
Reserve surety policy	75,000
	<u>140,010</u>
Debt service reserve requirement	\$ 139,614

**NOTE 3 - SCHEDULE OF NET POSITION**

The following table summarizes the Schedule of Net Position as of June 30, 2024.

<i>(dollars in thousands)</i>	June 30, 2024
Net investment in capital assets:	
Plant, lines and other facilities net of depreciation including capitalized interest	\$ 3,903,754
Outstanding debt that applies to plant, lines and other facilities	(2,826,102)
Accounts payable and accrued expenses (capital)	(48,188)
Deferred outflows and inflows of resources	10,859
Total	<u>1,040,323</u>
Restricted for:	
Assets restricted for debt service	89,117
Assets restricted for construction	10,311
Liabilities associated with restricted debt service	(13,316)
	<u>86,112</u>
Unrestricted net position	<u>6,661</u>
Total net position	<u><u>\$ 1,133,096</u></u>



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

**NOTE 4 - CAPITAL ASSETS**  
**Summarized Capital Assets**

The following table summarizes MSD's capital assets as of June 30, 2024.

<i>(dollars in thousands)</i>	Beginning Balance	Transfers In/ Additions	Retirements / Reclassifications	Ending Balance
Capital assets:				
Sewer lines	\$2,151,512	\$ 54,284	\$ (124)	\$2,205,672
Wastewater treatment facilities	864,008	29,262	(155)	893,115
Drainage facilities	1,078,913	53,557	(5,480)	1,126,990
Pumping and lift stations	298,862	20,773	(37)	319,598
Administrative facilities	53,173	16,214	-	69,387
Maintenance facilities	16,149	474	-	16,623
Machinery and equipment	103,576	2,905	(2,481)	104,000
Miscellaneous	59,461	191	-	59,652
Prepaid regulatory assets	443,393	12,749	-	456,142
Intangible subscription assets	8,934	2,464	-	11,398
Total capital assets	5,077,981	192,873	(8,277)	5,262,577
Less accumulated depreciation and amortization:				
Sewer lines	(459,806)	(28,024)	3	(487,827)
Wastewater treatment facilities	(477,081)	(31,517)	-	(508,598)
Drainage facilities	(267,312)	(23,760)	1	(291,071)
Pumping and lift stations	(140,985)	(15,287)	50	(156,222)
Administrative facilities	(44,340)	(1,320)	-	(45,660)
Maintenance facilities	(8,143)	(819)	-	(8,962)
Machinery and equipment	(75,225)	(9,777)	2,356	(82,646)
Miscellaneous	(34,966)	(5,592)	-	(40,558)
Prepaid regulatory assets	(160,350)	(11,064)	-	(171,414)
Intangible subscription assets	(2,841)	(1,675)	-	(4,516)
Total accumulated depreciation/amortization	(1,671,049)	(128,835)	2,410	(1,797,474)
Net capital assets in service	3,406,932	64,038	(5,867)	3,465,103
Construction in progress	309,372	262,543	(133,264)	438,651
Net capital assets	<u>\$3,716,304</u>	<u>\$ 326,581</u>	<u>\$ (139,131)</u>	<u>\$3,903,754</u>

Capital assets include non-depreciable assets for land related to all facilities and pumping and lift stations. The carrying value was \$45,980,778 at June 30, 2024.

**Intangible Subscription Assets**

MSD is a party to multiple subscription-based information technology agreements (SBITAs) which convey the contractual right-to-use another party's technology software for a period time in an exchange transaction. These intangible assets are recognized as capital assets.

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

The following table lists all future payments under the SBITAs as of June 30, 2024.

<i>(dollars in thousands)</i>		SBITA Liability	
	Principal	Interest	Total
Year Ending June 30,			
2025	\$ 2,352	\$ 167	\$ 2,519
2026	2,163	96	2,259
2027	992	32	1,024
2028	520	5	525
	<u>\$ 6,027</u>	<u>\$ 300</u>	<u>\$ 6,327</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.

**Prepaid Regulatory Assets**

In accordance with the provisions for regulated utility entities under GASB 62, MSD follows the practice of recognizing the interest incurred as part of the cost of acquiring assets that are debt-financed for rate-making purposes as a capital asset. 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, 2024.

<i>(dollars in thousands)</i>	June 30, 2024
Interest incurred	\$ 109,191
Less interest capitalization	<u>(12,749)</u>
Interest expense, net	<u>\$ 96,442</u>

The following table summarizes prepaid regulatory assets and amortization at June 30, 2024.

<i>(dollars in thousands)</i>	
Gross prepaid regulatory assets - beginning of year	\$ 443,393
Additions	<u>12,749</u>
Gross prepaid regulatory assets - end of year	456,142
Accumulated amortization - beginning of year	(160,350)
Amortization	<u>(11,064)</u>
Accumulated amortization - end of year	<u>(171,414)</u>
Net prepaid regulatory assets - end of year	<u>\$ 284,728</u>

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

**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 2024.

**NOTE 5 - LONG-TERM DEBT**

The following table summarizes MSD's long-term debt outstanding at June 30, 2024.

(dollars in thousands)					
Issue Description	Outstanding at Beginning of Year	Issued	Retired	Outstanding at End of Year	Payable Within One Year
Revenue bonds	\$2,204,310	\$ 385,112	\$ 139,955	\$ 2,449,467	\$ 53,985
Unamortized premium/discount	98,019	20,227	7,361	110,885	-
Commercial paper notes	165,000	2,498,755	2,451,560	212,195	7,325
Other subordinate debt:					
General obligation bonds	9,894	-	907	8,987	930
SRF loans	39,797	5,259	2,013	43,043	2,361
Financing note	1,700	-	175	1,525	185
<b>Total</b>	<b>\$2,518,720</b>	<b>\$ 2,909,353</b>	<b>\$ 2,601,971</b>	<b>\$ 2,826,102</b>	<b>\$ 64,786</b>

**Revenue Bonds:**

MSD's long-term revenue bonds are publicly issued under its General Bond Resolution adopted December 7, 1992 (and amended on March 4, 1993, June 30, 1993, December 14, 1994, and February 24, 2003), 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, 2024, MSD's accrued liability for arbitrage rebate associated with the Series 2021A bonds was \$989,143. This amount covers the third annual computation and does not represent the amount which may be due at the first installment period date of June 30, 2026. Additionally, during fiscal year 2024, \$52,178 was accrued

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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for arbitrage rebate associated with the Series 2023C bonds. This amount covers the first annual computation and does not represent the amount which may be at the first installment period date of May 15, 2028.

A pledged revenue 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, 2024.

Significant Revenue Bond Transactions: On October 26, 2023, MSD issued \$351,975,000 of its tax-exempt sewer and drainage system revenue and refunding bonds, Series 2023C with a true interest cost of 4.55%. The proceeds of the Series 2023C bonds were used: to refund portions of the outstanding Series 2013B and Series 2020C bonds, to refund \$200,000,000 of outstanding commercial paper notes, to pay or reimburse the costs of construction and acquisition of the capital improvement program, to fund the required increase in the reserve account equal to the debt service reserve requirement, and to pay the costs of issuance of the 2023C bonds. The refunding of the Series 2013B and 2023C bonds reduced future debt service by \$2,825,635 and resulted in an economic gain of \$2,093,204. Payment of the Series 2023C bonds is secured by a senior lien pledge of net revenues. The final maturity of the Series 2023C bonds is on May 15, 2053.

On March 15, 2021, MSD issued under the General Bond Resolution, to the United States Environmental Protection Agency (EPA), its sewer and drainage system revenue bonds, Series 2020B, in the principal amount of \$96,926,900 (excluding capitalized interest) and at a fixed interest rate of 2.37%. The Series 2020B bonds evidence a loan from the EPA to MSD under the federal Water Infrastructure Finance and Innovation Act (WIFIA). EPA and MSD are parties to a WIFIA Loan Agreement (WLA). The loan finances up to 49% of the construction costs of the Morris Forman Water Quality Treatment Center Biosolids Processing project. The WLA allows for capitalization of interest through November 15, 2029. Capitalized interest is added to the principal amount of the loan. Payment of the Series 2020B bonds is secured by a senior lien pledge of net revenues. The final maturity of the Series 2020B bonds is on November 15, 2059. MSD's loan agreement with the EPA prohibits MSD from incurring additional debt without the permission of the EPA if a payment default has occurred and is continuing under the WIFIA loan agreement. Upon an event of default, MSD would pay interest on the outstanding balance of the Series 2020B bonds at an interest rate of 4.37%. MSD made an initial draw on the Series 2020B bonds of \$2,987,807 on December 1, 2023. As of June 30, 2024, the outstanding balance of the Series 2020B bonds was \$33,137,358 including \$94,104 of capitalized interest.

Build America Bonds Program: MSD has outstanding \$510,000,000 of sewer and drainage system revenue bonds (Series 2009C and Series 2010A) issued under the federal government's Build America Bonds Program. Under the program, the federal government pays a subsidy in the amount of 35% of the interest paid on the bonds. The interest subsidy received by MSD for the fiscal year ended June 30, 2024, was \$10,359,939. Subsidy payments to MSD were reduced by 5.7% in fiscal year 2024 due to the impacts of federal budget sequestration.

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

The following table summarizes revenue bonds payable at June 30, 2024.

<i>(dollars in thousands)</i>				
Revenue Bonds	Original Issue Amount	Interest Rates	Final Payment In	Outstanding as of June 30, 2024
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	89,300
2014A series revenue bonds	80,000	4.00% - 5.00%	2045	77,280
2015A series revenue bonds	175,000	3.125% - 5.00%	2046	168,525
2015B series revenue bonds	81,750	2.63% - 5.00%	2038	59,865
2016A series revenue bonds	150,000	3.00% - 5.00%	2047	145,470
2016B series revenue bonds	28,315	2.00% - 5.00%	2036	16,585
2017A series revenue bonds	175,000	3.00% - 5.00%	2048	138,035
2017B series revenue bonds	35,725	5.00%	2025	13,505
2018A series revenue bonds	60,380	4.00%	2038	60,380
2020A series revenue bonds	225,000	2.00% - 5.00%	2050	221,355
2020B series revenue bonds	96,927	2.37%	2060	33,137
2020C series revenue bonds	112,065	0.29% - 2.65%	2044	37,790
2021A series revenue bonds	246,555	2.22%	2034	214,665
2022A series revenue bonds	225,000	2.63% - 5.00%	2052	223,500
2023A series revenue bonds	49,745	5.00%	2035	49,745
2023B series revenue bonds	41,950	5.00%	2036	41,950
2023C series revenue bonds	351,975	5.00%	2053	<u>348,380</u>
Total revenue bonds				2,449,467
Add: unamortized premium/discount				<u>110,885</u>
Total bonds payable				2,560,352
Less: current maturities				<u>(53,985)</u>
Total bonds payable, long term portion				<u><u>\$ 2,506,367</u></u>

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

The following table presents revenue bond debt service requirements after June 30, 2024 (including the remaining capitalized interest for the Series 2020B bonds of \$4,553,982).

<i>(dollars in thousands)</i>				
	Principal	Interest before subsidy	Federal interest subsidy	Interest net of subsidy
Year Ending June 30,				
2025	\$ 53,985	\$ 102,640	\$ (10,360)	\$ 92,280
2026	54,535	100,312	(10,360)	89,952
2027	73,245	98,069	(10,360)	87,709
2028	71,825	94,459	(9,638)	84,821
2029	74,235	92,194	(9,638)	82,556
2030-2034	269,566	437,378	(50,520)	386,858
2035-2039	572,519	360,562	(51,103)	309,459
2040-2044	691,687	206,184	(21,465)	184,719
2045-2049	465,606	66,016	-	66,016
2050-2054	110,776	13,600	-	13,600
2055-2059	13,132	1,126	-	1,126
2060-2064	2,816	33	-	33
	<u>\$ 2,453,926</u>	<u>\$ 1,572,573</u>	<u>\$ (173,444)</u>	<u>\$ 1,399,129</u>

The following table provides a summary of current and long-term revenue bond activity at June 30, 2024.

<i>(dollars in thousands)</i>	June 30, 2024
Revenue bonds - beginning of year	\$ 2,204,310
Bonds issued	385,112
Principal paid on bonds	(51,115)
Bond refunding	(88,840)
Revenue bonds - end of year	<u>\$ 2,449,467</u>

**General Obligation Bonds:**

MSD merged with the Oldham County Environmental Authority (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, 2024, was \$8,986,552. 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.

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

The following table provides a summary of current and long-term general obligation bond activity as of June 30, 2024.

<i>(dollars in thousands)</i>				
General Obligation Bonds	Original Issue Amount	Interest Rates	Final Payment In	Outstanding as of June 30: 2024
2017 series general obligation bonds	\$ 3,750	2.08%	2030	\$ 2,882
2014 series general obligation bonds	9,790	3.00% - 3.20%	2035	6,105
Total general obligation bonds				8,987
Less: current maturities				(930)
Total bonds payable, long term portion				<u>\$ 8,057</u>

The following table presents general obligation bond debt service requirements after June 30, 2024.

<i>(dollars in thousands)</i>			
	General Obligation Bonds		
	Principal	Interest	Total
Year Ending June 30,			
2025	\$ 930	\$ 237	\$ 1,167
2026	957	214	1,171
2027	983	189	1,172
2028	1,004	163	1,167
2029	1,029	137	1,166
2030-2034	3,439	349	3,788
2035-2039	645	10	655
	<u>\$ 8,987</u>	<u>\$ 1,299</u>	<u>\$ 10,286</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 notes.

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 proceeds of the sale of other commercial paper notes issued under the Program Note Resolution and used to refund outstanding commercial paper notes, the proceeds of direct purchase notes or other loans used to refund outstanding commercial paper notes, and the proceeds of revenue bonds issued to pay outstanding commercial paper notes.

# LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

## NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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 \$212,195,000 were outstanding as of June 30, 2024, in accordance with the respective 2023 Revolving Credit Agreements. Interest rates on the notes outstanding range from 3.5% to 3.8% and maturities were thirty days.

The following table summarizes the outstanding and available balance of the commercial paper program at June 30, 2024.

<i>(dollars in thousands)</i>			
Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Series 2023A-1	\$ 250,000	\$ 106,098	\$ 143,902
Series 2023A-2	250,000	106,097	143,903
Total	\$ 500,000	\$ 212,195	\$ 287,805



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

Proceeds from the commercial paper notes outstanding at June 30, 2024, were used to pay off the 2022A Bond Anticipation Note at maturity. MSD plans to amortize these commercial paper notes over the same period as the amortization of the notional amount of the associated hedging derivative instruments. Commercial paper notes of \$7,325,000 will be paid down on May 15, 2025. The remainder of the outstanding commercial paper notes are classified as a non-current liability. See Note 6, Bond Anticipation Notes, and Note 7, Derivative Instruments, for additional information. The following table summarizes commercial paper program transactions for the year ended June 30, 2024.

<i>(dollars in thousands)</i>					
Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Series 2023A-1	80,000	1,249,382	1,223,284	106,098	3,662
Series 2023A-2	85,000	1,249,373	1,228,276	106,097	3,663
Total	<u>\$ 165,000</u>	<u>\$ 2,498,755</u>	<u>\$ 2,451,560</u>	<u>\$ 212,195</u>	<u>\$ 7,325</u>

**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, 2024, MSD has expended \$7,400,000 in eligible project costs for loan number A17-028. 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, 2024.

<i>(dollars in thousands)</i>					
<u>Loan Number</u>	<u>Loan Amount</u>	<u>Drawn Amount</u>	<u>Interest Rate</u>	<u>Final Payment In</u>	<u>Outstanding at end of Year</u>
A09-41	\$ 2,395	\$ 2,395	3.00%	2033	\$ 1,193
A10-04	2,843	2,843	2.00%	2033	1,420
A10-05	1,000	1,000	3.00%	2033	524
A10-07	2,538	2,538	2.00%	2034	1,332
A11-15	671	671	2.00%	2033	335
A12-29	6,500	6,500	1.75%	2037	4,323
A17-028	7,400	7,400	1.75%	2042	7,400
A18-010	1,116	1,116	1.75%	2040	948
A19-015	2,695	2,695	2.00%	2042	2,414
A19-028	24,200	24,200	2.00%	2042	22,700
B10-01	500	500	3.00%	2030	182
B10-04	500	500	3.00%	2031	210
B15-006	87	87	1.75%	2038	62
Total loans payable					43,043
Less: current maturities					<u>(2,361)</u>
Total loans payable, long term portion					<u><u>\$ 40,682</u></u>

**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 treatment facilities, sell or lease the treatment facilities, or exercise any remedy available to it under applicable law. At June 30, 2024, the remaining principal balance is \$1,525,000. Final maturity is in 2031.

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**NOTE 6 – BOND ANTICIPATION NOTES**

MSD issued 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 was reissued annually through September 28, 2022. 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. Total BAN outstanding at June 30, 2024, was \$0.

The following table summarizes changes in the BAN during fiscal year 2024.

<i>(dollars in thousands)</i>					
Issue Description	Outstanding at Beginning of Year	Issued	Retired	Outstanding at End of Year	Payable Within One Year
2022 Bond anticipation notes	226,340	-	226,340	-	-
Total	<u>\$ 226,340</u>	<u>\$ -</u>	<u>\$ 226,340</u>	<u>\$ -</u>	<u>\$ -</u>

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**NOTE 7 – DERIVATIVE INSTRUMENTS**

The following table presents MSD's interest rate derivatives outstanding at June 30, 2024.

<i>(dollars in thousands)</i>								
Derivative Instrument	Type	Objective	Counterparty	Original Notional	Notional Amount 6/30/2024	Effective Date	Termination Date	Terms
A	Pay-fixed interest rate swap	Hedge interest rate risk	Wells Fargo, N.A.	\$ 180,716	\$ 169,756	6/15/2013	5/15/2033	Pay 4.4125% Receive 67% USD-1M SOFR
B	Pay-fixed interest rate swap	Hedge interest rate risk	Bank of America, N.A.	56,433	42,439	11/16/2009	5/15/2033	Pay 4.4125% Receive 67% USD-1M SOFR
				<u>\$ 237,149</u>	<u>\$ 212,195</u>			

MSD originally entered into interest rate swap agreements as a hedging derivative instrument to lock in long-term interest rates in advance of issuing long-term debt. Two interest rate swap agreements remain in MSD's derivative instrument portfolio that serve as an interest rate hedge for the expected issuance of debt associated with refinancing the BAN originally issued on August 19, 2009. The swaps are structured so that the notional amounts of the agreements decrease over time corresponding with the planned amortization of the underlying debt.

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, 2024, 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, 2024.

<i>(dollars in thousands)</i>	
	June 30, 2024
Fair value - beginning of year	\$ (27,247)
Change in fair value	<u>6,043</u>
Fair value - end of year	<u>\$ (21,204)</u>

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The following table presents fair values for the non-credit adjusted, at-market portion of the derivatives at June 30, 2024.

<i>(dollars in thousands)</i>		June 30, 2024	
Derivatives (at-market)		Clean	Accrued
1999-1 - \$180.7M 67% LIBOR fixed payer		\$ (14,650)	\$ (141)
1999-2 - \$56.4M 67% LIBOR fixed payer		(3,660)	(30)
Total		<u>\$ (18,310)</u>	<u>\$ (171)</u>

The following table provides classification of the at-market portion and investment portion of the derivatives at June 30, 2024.

<i>(dollars in thousands)</i>					
Governmental Activities	Changes in Fair Value		Fair Value as of June 30, 2024		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred inflows	\$ 1,034	Other liabilities	\$ (21,204)	\$ 212,195
			Accrued interest	(63)	
				<u>\$ (21,267)</u>	
Investment derivatives:					
Pay-fixed interest rate swaps	Non-operating expenses	5,009			
		<u>\$ 6,043</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

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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, 2024.

	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 \$18,310,742, \$171,519 and \$2,893,549, respectively, at June 30, 2024. The aggregate fair value is negative \$21,266,818 (gross of implied note outstanding balance as of June 30, 2024). 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, 2024, is approximately \$21,266,818. 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 collateral posting requirements as discussed in the preceding Credit Risk section and, 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

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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the nature of the basis risk associated with the derivative instrument may change. As of June 30, 2024, 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 2024 were \$1,706,138.

**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 was amortized through December 2023, the termination date of the original 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 termination date of the original agreement.

#### NOTE 8 - 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 for 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

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

the total assets of LAGIT and/or claims of other members under the excess insurance policy. No claims were paid in fiscal year 2024 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 2024.

<i>(dollars in thousands)</i>	June 30, 2024
Liability - beginning of year	\$ 1,902
Claims and changes in estimates	359
Payments	(759)
Liability - end of year	<u>\$ 1,502</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 2024.

#### NOTE 9 - 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 10 - COMMITMENTS AND CONTINGENCIES

##### 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).



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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 \$25,000,000 annually for asset management projects through 2035. Additionally, MSD agreed to incorporate \$70,000,000 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. MSD estimates total capital expenditures associated with complying with the requirements of the second amended consent decree could range from \$2,000,000,000 to \$2,200,000,000. 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 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, 2024, were \$520,968,039. 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, 2024, is \$27,517,302.

### NOTE 11 - SUBSEQUENT EVENTS

#### Rate Increase:

On August 1, 2024, 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 A23-007:

On August 19, 2024, MSD entered into a loan Assistance Agreement (A23-007) with the Kentucky Infrastructure Authority for the Paddy's Run Flood Pumping Station Capacity project. The total amount of the loan shall not exceed \$27,783,547. Interest is payable semi-annually at a fixed rate of 0.50% per annum

## **LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**

### **NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS**

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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.

On August 26, 2024, MSD accepted a conditional commitment from the Kentucky Infrastructure Authority to increase the amount of loan A23-007 to \$54,006,047. MSD has not yet executed an Assistance Agreement for the loan increase.

#### **Series 2024A Bonds**

On August 20, 2024, MSD issued \$104,280,000 of its tax-exempt sewer and drainage system revenue and refunding bonds, Series 2024A. The proceeds of the Series 2024A bonds were used, together with other available funds, to currently refund all the outstanding principal of the Series 2013B bonds, currently refund a portion of the outstanding Series 2014A bonds, and to pay the costs of issuance of the 2024A bonds. The final maturity of Series 2024A bonds is in 2039. The refunding reduces debt service payments over the next fifteen years by \$11,234,709 which is a net present value savings of \$8,946,565.

#### **Commercial Paper Program:**

Commercial paper notes of \$242,195,000 are outstanding as of October 29, 2024, in accordance with the respective Revolving Credit Agreements. Interest rates on the notes outstanding range from 3.22% to 3.25% and maturities range from 30 to 32 days. MSD intends to reissue the remaining commercial paper notes at maturity in accordance with the refinancing terms of the Revolving Credit Agreements.

### **NOTE 12 - DEFINED BENEFIT PENSION AND OTHER POST-EMPLOYMENT BENEFITS PLAN – COST SHARING**

#### **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 § 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 § 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 § 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](http://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.

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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#### 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.

#### 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.

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

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**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.

### **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 § 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, 2024, participating CERS employers contributed 23.34% (23.34 % allocated to pension and 0.00% 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.

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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MSD has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2024. Total contributions recognized by the Plan were \$13,946,881 (\$13,946,881 related to pension and \$0 related to OPEB). The OPEB contribution amount does not include the implicit subsidy reported in the amount of \$843,134.

#### 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.

#### 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. The TPL was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles.

#### Assumptions:

The CERS and KRS Board of Trustees adopted new actuarial assumptions on May 9, 2023, and June 5, 2023, respectively. Based on the June 30, 2021, actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions rates are:

Investment return	6.25%
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Payroll growth	2.00%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

#### Discount rate assumptions:

- (a) **Discount Rate:** A single discount rate of 6.50% was used to determine the TPL for the fiscal year ending June 30, 2023. The single discount rate increased by 0.25% from 6.25% in fiscal year 2022 to 6.50% in fiscal year 2023. The single discount rate was based on the expected rate of return on pension plan investments. Based on the stated assumption and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all future benefit payments of the current plan members. Therefore, The expected rate of return on pension plan investments was applied to all period of the projected benefit payments to determine the total pension liability.

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

- (b) **Projected Cash Flows:** The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employee contributions made each future year. Except where noted below, future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan future year, calculated in accordance with the current funding policy. The assumed future employer contributions for the CERS plans reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increase to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.
- (c) **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%	5.90%
Private equity	10.00%	11.73%
Core fixed income	10.00%	2.45%
Specialty credit	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
<b>Total</b>	<b><u>100.00%</u></b>	

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.

- (d) **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 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate.

<i>(dollars in thousands)</i>	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
MSD's net pension liability	\$ 151,469	\$ 119,970	\$ 93,792

**Employer's Portion of the Collective NPL:** MSD's proportionate share of the NPL, as indicated in the prior table, is \$119,969,522 or approximately 1.87%, an increase of 0.04% from fiscal year 2022. The NPL was distributed based on 2023 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, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.



# LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

## NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

**Changes in Assumptions and Benefit Terms:** The CERS and KRS Board of Trustees adopted new actuarial assumptions on May 9, 2023, and June 5, 2023, respectively.

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

**Pension Expense:** MSD was allocated pension expense of (\$5,327,611) related to the CERS for the year ending June 30, 2024.

**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	\$ 6,211	\$ 326
Change of assumptions	-	10,995
Differences between expected and actual investment experience	-	1,637
Changes in proportion and differences between contributions	1,758	2,570
	7,969	15,528
Contributions subsequent to the measurement date	13,947	-
Total	\$ 21,916	\$ 15,528

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$13,946,881 will be recognized as a reduction of NPL in the year ending June 30, 2025. The remainder of the deferred outflows and deferred inflows of resources are amortized over two to four years with remaining amortization as follows:

<i>(dollars in thousands)</i>	
Year Ending June 30:	
2024	\$ (5,284)
2025	(3,792)
2026	2,678
2027	(1,161)
	\$ (7,559)

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

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

### NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

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#### OPEB Information:

Total OPEB Liability: The total other post-employment benefits plan (OPEB) was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023 using generally accepted actuarial principles.

#### Assumptions:

The actuarially determined contribution rates effective for fiscal year ended 2023 were calculated as of June 30, 2021. Based on the June 30, 2021, actuarial valuation reports, the actuarial methods and assumptions used to calculate the required contributions are:

Investment return	6.25%
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Payroll growth	2.00%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.30 % at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

#### Discount rate assumptions:

- (a) **Discount Rate:** The single discount rate used to measure the total OPEB liability for the fiscal year ending June 30, 2023, was 5.93%, which increased from the prior year rate of 5.70%.
- (b) **Municipal Bond Rate:** The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (c) **Projected Cash Flows:** The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employee contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by the plan each future year, calculated in accordance with the current funding policy.
- (d) **Long-Term Rate of Return:** The long-term (10-year) expected rates of return were determined by using a building-block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.



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

- (e) 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%	5.90%
Private equity	10.00%	11.73%
Core fixed income	10.00%	2.45%
Specialty credit	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
<b>Total</b>	<b><u>100.00%</u></b>	

The long-term expected rate of return on pension plan assets was established by the KPPA Board of Trustees at 6.50% based on a blending of the factors described above.

- (f) Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability (asset) 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 (asset) of the System, calculated using the discount rate of 5.93%, as well as what the MSD's allocated portion of the System's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate for nonhazardous.

<i>(dollars in thousands)</i>			
	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
MSD's net OPEB liability	\$ 4,844	\$ (2,581)	\$ (8,799)

The following table presents the MSD's allocated portion of the net OPEB liability (asset) 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 (asset) 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	\$ (8,724)	\$ (2,581)	\$ 4,411

Employer's Portion of the Collective OPEB Liability: MSD's proportionate share of the net OPEB liability (asset), as indicated in the prior table, is (\$2,581,356) or approximately 1.87%, or a decrease of 0.04% from fiscal year 2022. The net OPEB liability (asset) was distributed based on 2023 actual employer contributions to the plan.

Measurement Date: The total OPEB liability, net OPEB liability (asset), and sensitivity information shown

# LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

## NOTES TO THE COMPARATIVE FINANCIAL STATEMENTS

in this report are based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

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

- The discount rate used to calculate the total OPEB liability increased from 5.70% to 5.93%.

Changes Since Measurement Date: There were no material changes between the measurement date of the collective net OPEB liability (asset) and the employer's reporting date.

OPEB Expense: MSD was allocated OPEB expense of (\$4,658,736) related to the CERS for the year ending June 30, 2024.

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

<i>(dollars in thousands)</i>	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,800	\$ 36,653
Change of assumptions	5,080	3,540
Differences between expected and actual investment experience	-	599
Changes in proportion and differences between contributions	1,864	1,496
	8,744	42,288
Contributions subsequent to the measurement date	843	-
Total	<u>\$ 9,587</u>	<u>\$ 42,288</u>

There were no deferred outflows of resources resulting from employer contributions subsequent to the measurement date. 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:	
2024	\$ (7,942)
2025	(10,305)
2026	(8,350)
2027	(6,947)
	<u>\$ (33,544)</u>

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

**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)										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
MSD's proportion of the net pension liability	1.60%	1.60%	1.51%	1.60%	1.72%	1.80%	1.82%	1.95%	1.83%	1.87%
MSD's proportionate share of the net pension liability	\$ 51,988	\$ 68,653	\$ 74,132	\$ 93,517	\$ 104,511	\$ 126,866	\$ 139,401	\$ 124,564	\$ 132,407	\$ 119,970
MSD's covered payroll	37,100	37,900	39,596	43,084	45,859	48,391	49,808	52,828	54,678	59,356
MSD's proportion of the net pension liability as a percentage of its covered payroll	140.1%	181.1%	187.2%	217.1%	227.9%	262.2%	279.9%	235.8%	242.2%	202.1%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

**Notes:**

- 1) The amounts presented for each fiscal year were determined as of the prior year end.

**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 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.

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 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.

**2023:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was increased from 6.25% to 6.50%.

# 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)										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily required contribution for pension	\$ 4,576	\$ 4,767	\$ 5,279	\$ 6,196	\$ 7,534	\$ 9,133	\$ 9,850	\$ 11,009	\$ 13,055	\$ 13,947
Contribution in relation to the statutorily required contribution	(4,576)	(4,767)	(5,279)	(6,196)	(7,534)	(9,133)	(9,850)	(11,009)	(13,055)	(13,947)
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MSD contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
MSD covered payroll	\$ 37,900	\$ 39,596	\$ 43,084	\$ 45,859	\$ 48,391	\$ 49,808	\$ 52,828	\$ 54,678	\$ 59,356	\$ 64,927
Contributions as a percentage of MSD's covered payroll	12.07%	12.04%	12.25%	13.51%	15.57%	18.34%	18.65%	20.13%	21.99%	21.48%

**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)							
	2018	2019	2020	2021	2022	2023	2024
MSD's proportion of the net OPEB liability	1.60%	1.72%	1.80%	1.82%	1.95%	1.83%	1.87%
MSD's proportionate share of the net OPEB liability	\$32,119	\$30,470	\$30,343	\$ 43,904	\$37,395	\$36,145	\$ (2,581)
MSD's covered payroll	43,084	45,859	48,391	49,808	52,828	54,678	59,356
MSD's proportion of the net OPEB liability as a percentage of its covered payroll	74.55%	66.44%	62.70%	88.15%	70.79%	66.11%	-4.35%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

**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 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, 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:

- The discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20%.

## LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT REQUIRED SUPPLEMENTARY INFORMATION

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- 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%.

**2023:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The discount rate used to calculate the total OPEB liability increased from 5.70% to 5.93%.

**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)							
	2018	2019	2020	2021	2022	2023	2024
Statutorily required contribution	\$ 2,011	\$ 2,443	\$ 2,252	\$ 2,429	\$ 3,006	\$ 1,891	\$ -
Contributions in relation to the statutorily required contribution	(2,011)	(2,443)	(2,252)	(2,429)	(3,006)	(1,891)	-
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MSD contributions as a percentage of statutorily required contribution for OPEB	100%	100%	100%	100%	100%	100%	100%
MSD covered payroll	\$45,859	\$48,391	\$49,808	\$52,828	\$54,678	\$59,356	\$64,927
Contributions as a percentage of MSD's covered payroll	4.39%	5.05%	4.52%	4.60%	5.50%	3.19%	0.00%

**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)**



***MSD's Hite Creek Water Quality Treatment Center***

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
STATISTICAL SECTION  
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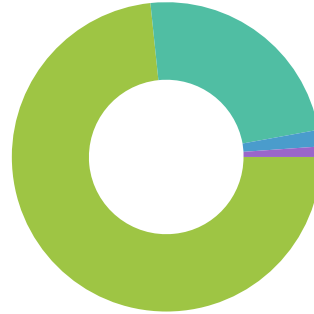
**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 1 - Comparative Revenue and Expense Highlights**  
**Fiscal Years Ended June 30, 2024 and 2023**  
**Dollars in Thousands**

2024 Revenues - \$449,226



Wastewater Charges	\$ 313,827	69.9%
Drainage Charges	\$ 100,365	22.3%
Other Operating Income	\$ 12,083	2.7%
Investment Income	\$ 22,951	5.1%

2023 Revenues - \$396,309



Wastewater Charges	\$ 290,697	73.4%
Drainage Charges	\$ 94,466	23.8%
Other Operating Income	\$ 6,863	1.7%
Investment Income	\$ 4,283	1.1%

2024 Expenses - \$350,712



Salaries & Labor Related Overhead	\$ 83,882	23.9%
Operating & Maintenance Expenses	\$ 44,061	12.6%
Depreciation & Amortization	\$ 131,336	37.4%
Interest Expense	\$ 91,433	26.1%

2023 Expenses - \$328,263



Salaries & Labor Related Overhead	\$ 88,601	27.0%
Operating & Maintenance Expenses	\$ 38,172	11.6%
Depreciation & Amortization	\$ 114,562	34.9%
Interest Expense	\$ 86,928	26.5%

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 2 - Comparative Schedule of Net Position**  
**Years Ended June 30**  
**Dollars in Thousands**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Current assets:</b>										
Unrestricted cash and cash equivalents	\$ 63,013	\$ 69,481	\$ 42,449	\$ 50,276	\$ 43,728	\$ 99,973	\$ 79,281	\$ 48,875	\$ 66,305	\$ 55,863
Unrestricted investments	100	100	10,095	25,080	36,744	100	28,124	69,754	69,417	60,002
Restricted cash and cash equivalents	16,342	5,379	19,454	29,987	22,348	17,776	21,181	20,788	22,414	23,366
Restricted investments	-	14,999	22,675	-	30,172	-	-	12,947	-	11,052
Accounts receivable	23,787	26,696	23,480	26,332	27,915	27,227	24,664	26,242	28,963	44,148
Inventories	3,981	4,210	4,184	4,407	4,623	4,977	5,086	5,262	5,811	6,264
Prepaid expenses and other current assets	2,880	3,184	2,877	3,845	3,918	4,147	6,386	3,290	826	1,167
<b>Total current assets</b>	<b>110,103</b>	<b>124,049</b>	<b>125,214</b>	<b>139,927</b>	<b>169,448</b>	<b>154,200</b>	<b>164,722</b>	<b>187,158</b>	<b>193,736</b>	<b>201,862</b>
<b>Noncurrent assets:</b>										
Unrestricted noncurrent assets	18,615	29,235	37,642	1,399	13,730	12,776	10,478	7,138	5,271	52,992
Restricted noncurrent assets	120,165	120,212	86,550	151,039	76,678	79,555	82,930	80,331	77,898	65,010
Capital assets										
Utility plant in service	2,455,476	2,812,333	2,943,414	3,047,458	3,580,741	3,697,720	3,849,047	4,291,770	4,625,654	4,795,037
Less: accumulated depreciation	(925,901)	(979,405)	(1,046,707)	(1,109,966)	(1,208,329)	(1,221,668)	(1,305,547)	(1,418,965)	(1,507,858)	(1,621,545)
Net utility plant in service	1,529,575	1,832,928	1,896,707	1,937,492	2,372,412	2,476,052	2,543,500	2,872,805	3,117,796	3,173,492
Construction in progress	623,181	487,674	581,222	711,655	460,501	538,013	625,113	420,200	309,372	438,652
Prepaid regulatory assets, net of amortization	239,710	252,659	264,108	276,834	285,745	288,692	290,293	287,023	283,043	284,728
Subscription assets, net of amortization	-	-	-	-	-	-	-	-	6,093	6,882
Net capital assets	2,392,466	2,573,261	2,742,037	2,925,981	3,118,658	3,302,757	3,458,906	3,580,028	3,716,304	3,903,754
Other noncurrent assets	30,807	29,316	32,768	32,222	17,915	17,023	15,883	15,347	14,956	17,787
<b>Total noncurrent assets</b>	<b>2,562,053</b>	<b>2,752,024</b>	<b>2,898,997</b>	<b>3,110,641</b>	<b>3,226,981</b>	<b>3,412,111</b>	<b>3,568,197</b>	<b>3,682,844</b>	<b>3,814,429</b>	<b>4,039,543</b>
<b>Total assets</b>	<b>2,672,156</b>	<b>2,876,073</b>	<b>3,024,211</b>	<b>3,250,568</b>	<b>3,396,429</b>	<b>3,566,311</b>	<b>3,732,919</b>	<b>3,870,002</b>	<b>4,008,165</b>	<b>4,241,405</b>
<b>Deferred outflow of resources</b>	<b>20,407</b>	<b>23,708</b>	<b>35,911</b>	<b>54,267</b>	<b>52,018</b>	<b>79,767</b>	<b>80,984</b>	<b>72,110</b>	<b>59,456</b>	<b>42,363</b>
<b>Total assets and deferred outflows</b>	<b>\$ 2,692,563</b>	<b>\$ 2,899,781</b>	<b>\$ 3,060,122</b>	<b>\$ 3,304,835</b>	<b>\$ 3,448,447</b>	<b>\$ 3,646,078</b>	<b>\$ 3,813,903</b>	<b>\$ 3,942,112</b>	<b>\$ 4,067,621</b>	<b>\$ 4,283,768</b>
<b>Liabilities:</b>										
<b>Current liabilities:</b>										
Accounts payable and accrued expenses	\$ 14,936	\$ 17,420	\$ 16,550	\$ 16,342	\$ 18,168	\$ 24,176	\$ 29,099	\$ 20,395	\$ 17,940	\$ 36,314
Early retirement incentive plan payable	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>14,936</b>	<b>17,420</b>	<b>16,550</b>	<b>16,342</b>	<b>18,168</b>	<b>24,176</b>	<b>29,099</b>	<b>20,395</b>	<b>17,940</b>	<b>36,314</b>
<b>Current liabilities:</b>										
Accounts payable and accrued expenses	30,607	33,271	30,764	47,472	31,945	39,860	46,237	30,464	38,706	48,188
Accrued interest	13,036	17,533	15,935	18,455	17,819	17,315	20,093	16,622	17,895	13,316
Refundable deposits	1,639	2,557	2,300	2,861	2,928	2,954	2,757	1,920	2,142	1,689
Revenue bonds payable	29,415	31,825	33,655	40,190	42,200	43,460	47,565	52,880	52,375	53,985
Bond anticipation note	-	-	-	-	-	-	-	-	14,145	-
Bank notes	-	-	-	-	100	100	-	-	-	-
Other subordinate debt	-	-	-	105	545	2,167	1,817	2,038	3,095	10,800
Subscription asset liability	-	-	-	-	-	-	-	-	1,616	2,353
<b>Total current liabilities</b>	<b>74,697</b>	<b>85,186</b>	<b>82,654</b>	<b>109,083</b>	<b>95,537</b>	<b>105,856</b>	<b>118,469</b>	<b>103,924</b>	<b>129,974</b>	<b>130,331</b>
<b>Noncurrent liabilities:</b>										
Revenue bonds payable, net	1,583,390	1,722,745	1,831,605	1,956,540	1,914,340	1,868,455	2,057,555	2,228,405	2,151,935	2,395,482
Unamortized debt premium/discount	60,797	67,462	74,328	90,628	80,421	74,458	74,817	88,050	98,019	110,885
Bond anticipation note, net	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340	212,195	-
Commercial paper notes	-	-	-	-	120,000	255,000	150,000	50,000	165,000	204,870
Other subordinated debt, net	2,168	2,072	1,973	1,766	2,113	28,284	44,304	50,604	48,296	50,079
Investment derivative asset liability	-	-	-	59,443	73,040	72,228	63,431	40,914	27,247	21,204
At-market derivative asset liability	-	-	-	-	-	20,822	8,541	-	-	-
Net Pension liability and Net OPEB liability	51,988	68,653	74,132	125,636	134,981	157,209	183,305	161,959	168,552	119,970
Other long-term liabilities	944	690	-	-	-	-	-	-	-	-
Subscription asset liability, net	-	-	-	-	-	-	-	-	3,336	3,675
<b>Total long-term debt</b>	<b>1,925,627</b>	<b>2,087,962</b>	<b>2,208,378</b>	<b>2,460,353</b>	<b>2,551,235</b>	<b>2,702,796</b>	<b>2,808,293</b>	<b>2,846,272</b>	<b>2,874,580</b>	<b>2,906,165</b>
<b>Total liabilities</b>	<b>2,015,260</b>	<b>2,190,568</b>	<b>2,307,582</b>	<b>2,585,778</b>	<b>2,664,940</b>	<b>2,832,828</b>	<b>2,955,861</b>	<b>2,970,591</b>	<b>3,022,494</b>	<b>3,072,810</b>
<b>Deferred inflow of resources</b>	<b>92,233</b>	<b>108,633</b>	<b>84,052</b>	<b>10,383</b>	<b>12,955</b>	<b>16,520</b>	<b>10,277</b>	<b>48,489</b>	<b>40,848</b>	<b>77,862</b>
<b>Net position:</b>										
Net investment in capital assets	506,187	501,675	562,784	528,377	672,304	684,412	762,848	850,316	955,494	1,040,323
Restricted	80,424	84,639	150,386	156,425	81,207	80,421	84,429	84,607	82,418	86,112
Unrestricted	(1,541)	14,266	(44,682)	23,872	17,041	31,897	488	(11,891)	(33,633)	6,661
<b>Total net position</b>	<b>585,070</b>	<b>600,580</b>	<b>668,488</b>	<b>708,674</b>	<b>770,552</b>	<b>796,730</b>	<b>847,765</b>	<b>923,032</b>	<b>1,004,279</b>	<b>1,133,096</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 2,692,563</b>	<b>\$ 2,899,781</b>	<b>\$ 3,060,122</b>	<b>\$ 3,304,835</b>	<b>\$ 3,448,447</b>	<b>\$ 3,646,078</b>	<b>\$ 3,813,903</b>	<b>\$ 3,942,112</b>	<b>\$ 4,067,621</b>	<b>\$ 4,283,768</b>

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 3 - Comparative Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30**  
**Dollars in Thousands**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Operating revenue:</b>										
Wastewater service charges	\$ 173,895	\$ 183,592	\$ 194,965	\$ 210,636	\$ 219,467	\$ 237,807	\$ 245,802	\$ 270,066	\$ 290,697	\$ 313,827
Drainage service charges	51,567	54,888	58,978	63,868	69,706	75,052	79,915	86,804	94,466	100,365
Other operating income	4,407	4,810	5,691	4,645	5,195	6,198	3,701	8,497	6,863	12,083
<b>Total operating revenue</b>	<b>229,869</b>	<b>243,290</b>	<b>259,634</b>	<b>279,149</b>	<b>294,368</b>	<b>319,057</b>	<b>329,418</b>	<b>365,367</b>	<b>392,026</b>	<b>426,275</b>
<b>Operating expenses:</b>										
Service and administrative costs	106,174	121,674	122,098	142,711	154,325	167,771	170,073	169,869	167,924	168,729
Capitalization/recovery of cost	(30,056)	(30,516)	(31,949)	(38,147)	(38,383)	(39,643)	(41,785)	(42,166)	(41,151)	(40,786)
Capitalized overhead (over) under applied	-	-	-	88	-	-	-	-	-	-
Depreciation and amortization	63,321	62,820	77,156	77,954	87,882	98,872	97,874	103,964	114,562	131,336
<b>Total operating expenses</b>	<b>139,439</b>	<b>153,978</b>	<b>167,305</b>	<b>182,606</b>	<b>203,824</b>	<b>227,000</b>	<b>226,162</b>	<b>231,667</b>	<b>241,335</b>	<b>259,279</b>
<b>Income (loss) from operations</b>	<b>90,430</b>	<b>89,312</b>	<b>92,329</b>	<b>96,543</b>	<b>90,544</b>	<b>92,057</b>	<b>103,256</b>	<b>133,700</b>	<b>150,691</b>	<b>166,996</b>
<b>Non-operating revenue (expense):</b>										
Gain/loss disposal of assets	-	-	-	-	15	(15,008)	(21)	124	(14,320)	(111)
Investment income	7,527	7,559	4,047	6,280	8,338	5,275	1,777	(1,467)	7,253	13,618
Build America bond refund	10,096	10,332	10,226	10,249	10,339	10,325	10,398	10,344	11,350	9,444
Interest expense - bonds	(83,404)	(86,818)	(90,117)	(95,041)	(94,831)	(92,274)	(93,067)	(86,792)	(91,736)	(98,705)
Interest expense - swaps	(9,737)	(9,514)	(8,926)	(7,724)	(6,468)	(8,027)	(9,793)	(9,502)	(3,988)	(1,706)
Interest expense - other	(4,611)	(8,601)	(9,317)	(9,873)	(13,497)	(13,129)	(13,104)	(12,873)	(15,337)	(14,650)
Amortization of debt discount/premium	7,887	12,052	13,701	15,198	14,344	12,688	17,429	17,172	13,189	7,312
Amortization of loss on refunding	(1,980)	(1,949)	(3,070)	(3,147)	(2,817)	(2,404)	(3,107)	(3,768)	(3,631)	(1,442)
Capitalized interest	20,511	21,051	20,074	21,859	18,582	13,043	12,049	7,464	6,961	12,749
Change in fair values - swaps	(5,240)	(22,951)	26,072	16,317	(13,597)	812	8,796	11,293	7,614	5,009
<b>Total non-operating revenue (expenses), net</b>	<b>(58,951)</b>	<b>(78,839)</b>	<b>(37,310)</b>	<b>(45,882)</b>	<b>(79,592)</b>	<b>(88,699)</b>	<b>(68,643)</b>	<b>(68,005)</b>	<b>(82,645)</b>	<b>(68,482)</b>
<b>Net income / (loss) before contributions</b>	<b>31,479</b>	<b>10,473</b>	<b>55,019</b>	<b>50,661</b>	<b>10,952</b>	<b>3,358</b>	<b>34,613</b>	<b>65,695</b>	<b>68,046</b>	<b>98,514</b>
<b>Contributions</b>										
Property owner assessments	-	-	2,376	-	-	-	-	-	-	-
All other	4,605	5,037	10,513	12,726	50,926	9,085	16,422	9,572	13,201	30,303
<b>Increase (decrease) in net position</b>	<b>36,084</b>	<b>15,510</b>	<b>67,908</b>	<b>63,387</b>	<b>61,878</b>	<b>12,443</b>	<b>51,035</b>	<b>75,267</b>	<b>81,247</b>	<b>128,817</b>
<b>Net position, beginning of year</b>	<b>548,986</b>	<b>585,070</b>	<b>600,580</b>	<b>668,488</b>	<b>708,674</b>	<b>770,552</b>	<b>796,730</b>	<b>847,765</b>	<b>923,032</b>	<b>1,004,279</b>
<b>Net position, OCEA merger</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restatement for GASB 68 implementation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restatement for GASB 75 implementation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,201)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position, beginning of year, as restated</b>	<b>548,986</b>	<b>585,070</b>	<b>600,580</b>	<b>645,287</b>	<b>708,674</b>	<b>784,287</b>	<b>796,730</b>	<b>847,765</b>	<b>923,032</b>	<b>1,004,279</b>
<b>Net position, end of year</b>	<b>\$ 585,070</b>	<b>\$ 600,580</b>	<b>\$ 668,488</b>	<b>\$ 708,674</b>	<b>\$ 770,552</b>	<b>\$ 796,730</b>	<b>\$ 847,765</b>	<b>\$ 923,032</b>	<b>\$ 1,004,279</b>	<b>\$ 1,133,096</b>

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 4 - Comparative Statements of Cash Flows**  
**Years Ended June 30**  
**Dollars in Thousands**

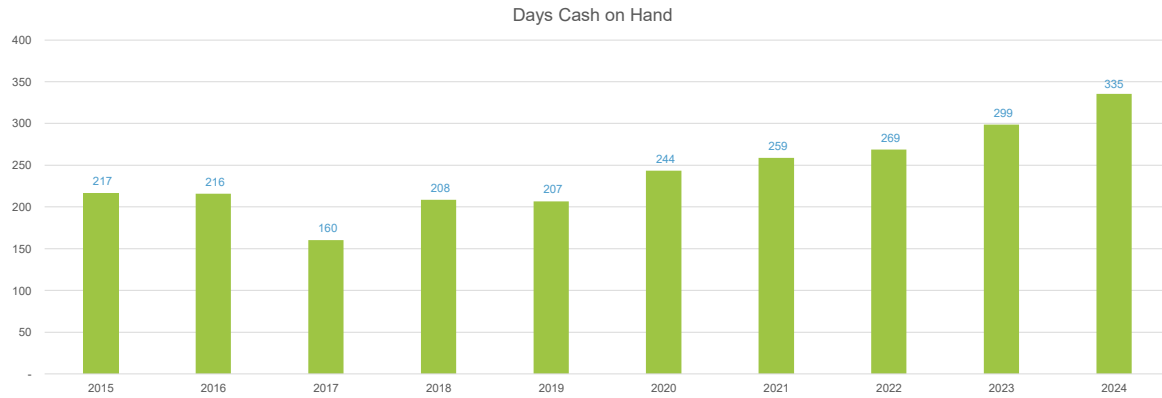
	<b>Fiscal Year</b>									
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>										
Cash received from customers	\$ 227,976	\$ 240,202	\$ 262,055	\$ 276,711	\$ 292,791	\$ 319,701	\$ 331,767	\$ 362,992	\$ 392,004	\$ 424,067
Cash paid to suppliers and employees	(75,258)	(85,202)	(88,300)	(95,150)	(103,173)	(105,649)	(107,122)	(166,818)	(166,086)	(160,877)
<b>Net cash provided by operating activities</b>	<b>152,718</b>	<b>155,000</b>	<b>173,755</b>	<b>181,561</b>	<b>189,618</b>	<b>214,052</b>	<b>224,645</b>	<b>196,174</b>	<b>225,918</b>	<b>263,190</b>
<b>Cash flows from capital and related financing activities:</b>										
Proceeds from issuance of revenue bonds	80,000	175,000	150,000	175,000	-	-	233,133	248,821	-	127,575
Proceeds from issuance of bond anticipation note	226,340	226,340	226,340	226,340	230,334	230,079	237,295	232,924	229,468	-
Proceeds from issuance of commercial paper	-	-	-	-	319,112	770,000	365,000	375,000	595,000	2,498,755
Proceeds from issuance of notes	-	-	-	-	100	90,200	-	-	-	-
Proceeds from issuance of other subordinate debt	-	-	-	-	-	-	17,788	7,824	1,282	5,316
Premium from sale of bonds	-	16,887	15,715	21,894	-	-	-	-	-	-
Payments for retirement of revenue bonds	-	-	-	-	(40,190)	(43,120)	(48,033)	(55,497)	(57,455)	(52,877)
Payments for retirement of bond anticipation note	-	-	-	-	(226,340)	(226,340)	(226,340)	(226,340)	(226,340)	(226,340)
Payments for retirement of commercial paper	-	-	-	-	(200,000)	(635,000)	(470,000)	(475,000)	(480,000)	(2,251,560)
Payments for retirement of notes	-	-	-	-	-	(90,200)	(100)	-	-	-
Payments for retirement of other subordinate debt	-	-	-	-	(317)	(2,120)	(2,119)	(1,926)	(2,533)	(3,153)
Principal paid on debt	(271,853)	(255,291)	(271,064)	(263,395)	-	-	-	-	-	-
Payments for interest expense	-	(92,246)	(103,919)	(102,394)	(108,511)	(106,312)	(103,393)	(103,136)	(105,800)	(117,933)
Payments for interest on swaps	(9,737)	(9,514)	(8,926)	(7,724)	(6,468)	(7,622)	(9,793)	(9,502)	(3,988)	(1,706)
Build America bond refund	10,096	10,332	10,226	10,248	10,339	10,325	10,398	10,344	10,360	10,360
Proceeds from capital grants	-	91	6,386	7,183	9,373	1,786	1,914	2,610	(88)	3,912
Proceeds from sale of capital assets	-	614	10	3	15	-	-	124	-	21
Payments for capital assets	-	(213,996)	(220,892)	(216,503)	(233,360)	(224,418)	(219,909)	(182,495)	(190,945)	(241,621)
Proceeds from assessments	-	2,329	1,254	1,621	780	1,169	2,465	3,378	1,956	704
Assessments extended	-	-	(2,376)	-	-	-	-	-	-	-
Capital contributed by others	4,605	-	-	-	-	-	-	-	-	-
Assessments receivable	2,050	-	-	-	-	-	-	-	-	-
Interest income - assessments	340	-	-	-	-	-	-	-	-	-
Interest paid on revenue bonds	(87,813)	-	-	-	-	-	-	-	-	-
Acquisition and construction of capital assets	(147,842)	-	-	-	-	-	-	-	-	-
Acquisition of non-operating property	(247)	-	-	-	-	-	-	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(194,061)</b>	<b>(139,454)</b>	<b>(197,246)</b>	<b>(147,727)</b>	<b>(245,133)</b>	<b>(231,573)</b>	<b>(211,694)</b>	<b>(172,871)</b>	<b>(229,083)</b>	<b>(248,547)</b>
<b>Cash flows from investing activities:</b>										
Change in investments	1,052	(15,047)	15,990	(56,798)	34,428	86,661	(55,205)	(55,638)	17,574	(36,905)
Investment income	13,974	5,626	2,951	5,081	6,238	6,864	1,423	2,203	5,523	10,334
<b>Net cash provided (used) by investing activities</b>	<b>15,026</b>	<b>(9,421)</b>	<b>18,941</b>	<b>(51,717)</b>	<b>40,666</b>	<b>93,525</b>	<b>(53,782)</b>	<b>(53,435)</b>	<b>23,097</b>	<b>(26,571)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(26,317)</b>	<b>6,125</b>	<b>(4,550)</b>	<b>(17,883)</b>	<b>(14,849)</b>	<b>76,004</b>	<b>(40,831)</b>	<b>(30,132)</b>	<b>19,932</b>	<b>(11,928)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>124,287</b>	<b>97,970</b>	<b>104,095</b>	<b>99,545</b>	<b>81,662</b>	<b>66,813</b>	<b>142,817</b>	<b>101,986</b>	<b>71,854</b>	<b>91,786</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 97,970</b>	<b>\$ 104,095</b>	<b>\$ 99,545</b>	<b>\$ 81,662</b>	<b>\$ 66,813</b>	<b>\$ 142,817</b>	<b>\$ 101,986</b>	<b>\$ 71,854</b>	<b>\$ 91,786</b>	<b>\$ 79,858</b>

Presentation and classification of items in the Statements of 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**  
**Schedule 5 - Comparative Schedule of Days Cash on Hand**  
**Years Ended June 30**  
**Dollars in Thousands**

	Fiscal Year																			
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024										
Unrestricted Cash and investments	\$	63,113	\$	69,581	\$	52,544	\$	75,356	\$	80,473	\$	100,073	\$	107,405	\$	118,629	\$	135,722	\$	164,234
Gross Operating & Maintenance Expenses <sup>1</sup>	\$	106,301	\$	117,671	\$	119,586	\$	131,948	\$	142,082	\$	149,945	\$	151,527	\$	161,144	\$	165,792	\$	178,716
Days Cash on Hand		217		216		160		208		207		244		259		269		299		335

<sup>1</sup>Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.



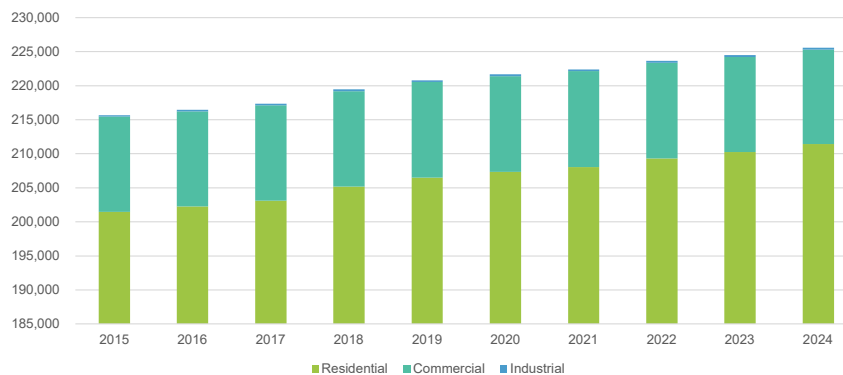
**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 6 - Comparative Schedule of Number of Customer Connections**  
**Years Ended June 30**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Wastewater</b>										
<b>Jefferson</b>										
Residential	215,047	216,177	217,363	218,656	220,134	221,796	223,807	224,166	224,522	225,618
Commercial	20,736	20,918	21,184	21,229	21,214	21,331	21,391	21,512	21,526	22,031
Industrial	352	370	373	374	380	385	389	392	392	402
<b>Total Jefferson</b>	<b>236,135</b>	<b>237,465</b>	<b>238,920</b>	<b>240,259</b>	<b>241,728</b>	<b>243,512</b>	<b>245,587</b>	<b>246,070</b>	<b>246,440</b>	<b>248,051</b>
<b>Oldham</b>										
Residential	-	-	-	-	-	-	6,342	6,395	6,921	6,934
Commercial	-	-	-	-	-	-	156	224	225	247
Industrial	-	-	-	-	-	-	1	1	1	1
<b>Total Oldham</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,499</b>	<b>6,620</b>	<b>7,147</b>	<b>7,182</b>
<b>Bullitt</b>										
Residential	-	-	-	-	-	-	-	3,801	4,577	4,595
Commercial	-	-	-	-	-	-	-	115	165	165
Industrial	-	-	-	-	-	-	-	1	1	1
<b>Total Bullitt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,917</b>	<b>4,743</b>	<b>4,761</b>
<b>Total Wastewater</b>	<b>236,135</b>	<b>237,465</b>	<b>238,920</b>	<b>240,259</b>	<b>241,728</b>	<b>243,512</b>	<b>252,086</b>	<b>256,607</b>	<b>258,330</b>	<b>259,994</b>
<b>Drainage</b>										
<b>Jefferson</b>										
Residential	201,485	202,288	203,113	205,185	206,499	207,317	208,060	209,335	210,242	211,432
Commercial	13,964	13,950	14,006	14,011	14,024	14,087	14,062	14,040	13,950	13,853
Industrial	226	235	242	247	257	271	269	274	279	283
<b>Total Drainage</b>	<b>215,675</b>	<b>216,473</b>	<b>217,361</b>	<b>219,443</b>	<b>220,780</b>	<b>221,675</b>	<b>222,391</b>	<b>223,649</b>	<b>224,471</b>	<b>225,568</b>

Wastewater Accounts by Customer Class



Drainage Accounts by Customer Class





**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 7 - Comparative Schedule of Average Residential Rates**  
**Years Ended June 30**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Jefferson County</b>										
Wastewater service charges:										
Service charge	\$ 12.22	\$ 12.89	\$ 13.78	\$ 14.73	\$ 15.75	\$ 16.83	\$ 17.68	\$ 18.90	\$ 19.85	\$ 21.22
Volume charge <sup>1</sup>	13.36	14.08	15.04	16.08	17.20	18.40	19.32	20.64	21.67	23.17
Consent decree surcharge	9.98	10.53	11.26	12.04	12.87	13.76	14.45	15.45	16.22	17.34
Total wastewater service charges	35.56	37.50	40.08	42.85	45.82	48.99	51.45	54.99	57.74	61.73
Drainage service charges:										
Service charge	7.68	8.10	8.66	9.26	9.90	10.58	11.11	11.88	12.47	13.33
Total drainage service charges	7.68	8.10	8.66	9.26	9.90	10.58	11.11	11.88	12.47	13.33
Total MSD bill	\$ 43.24	\$ 45.60	\$ 48.74	\$ 52.11	\$ 55.72	\$ 59.57	\$ 62.56	\$ 66.87	\$ 70.21	\$ 75.06
Bill as a % of MHI	1.01%	1.05%	1.06%	1.12%	1.13%	1.15%	1.24%	1.24%	1.28%	1.34%
<b>Oldham County (former OCEA)<sup>2</sup></b>										
Wastewater service charges:										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47.92	\$ 47.92	\$ 47.92	\$ 47.92	\$ 50.32
Volume charge <sup>1</sup>	-	-	-	-	-	31.20	31.20	31.20	23.20	24.36
Total MSD bill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.12	\$ 79.12	\$ 79.12	\$ 71.12	\$ 74.68
Bill as a % of MHI						0.90%	0.87%	0.82%	0.72%	0.74%
<b>Bullitt County (former BCSD)<sup>3</sup></b>										
Wastewater service charges:										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35.58	\$ 39.85	\$ 44.63
Volume charge <sup>1</sup>	-	-	-	-	-	-	-	20.70	23.18	25.97
Total MSD bill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56.28	\$ 63.03	\$ 70.60
Bill as a % of MHI								0.87%	0.96%	1.06%
<b>Bullitt County (former HH and BV)<sup>3</sup></b>										
Wastewater service charges:										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26.83	\$ 31.66	\$ 37.36
Volume charge <sup>1</sup>	-	-	-	-	-	-	-	8.00	11.60	16.82
Total MSD bill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34.83	\$ 43.26	\$ 54.18
Bill as a % of MHI								0.54%	0.66%	0.81%

<sup>1</sup>Average residential volume charge is based on 4,000 gallons/month of water use.

<sup>2</sup>MSD acquired the Oldham County Environmental Authority (OCEA) on June 30, 2020.

<sup>3</sup>MSD acquired the Bullitt County Sanitation District (BCSD) including Hunters Hollow (HH) and Big Valley (BV) on November 30, 2021.

Jefferson County MHI	51,230	52,008	54,977	55,860	59,025	62,067	60,636	64,719	65,903	67,109
Oldham County MHI	84,415	92,454	97,960	102,136	101,152	105,897	109,181	116,173	118,299	120,464
Bullitt County MHI	54,755	63,570	62,550	61,022	66,335	71,835	68,630	77,192	78,605	80,043

Median Household Income (MHI) Source: <https://fred.stlouisfed.org/series/MHIKY21185A052NCEN>. 2022 is the last year with published MHI data. Subsequent years are projected growing MHI at 1.0183% annually.

**Schedule 8 - Comparative Schedule of Monthly Residential Rates, Rentals and Charges**  
**Years Ended June 30**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Jefferson County Wastewater:</b>										
Service charge by meter size:										
5/8-3/4	\$ 12.22	\$ 12.89	\$ 13.78	\$ 14.73	\$ 15.75	\$ 16.84	\$ 17.68	\$ 18.90	\$ 19.85	\$ 21.22
1	\$ 24.54	\$ 25.89	\$ 27.68	\$ 29.59	\$ 31.63	\$ 33.81	\$ 35.50	\$ 37.95	\$ 39.85	\$ 42.60
1 1/2	\$ 44.08	\$ 43.08	\$ 46.05	\$ 49.23	\$ 52.62	\$ 56.25	\$ 59.06	\$ 63.14	\$ 66.30	\$ 70.87
2	\$ 55.99	\$ 59.07	\$ 63.15	\$ 67.51	\$ 72.17	\$ 77.15	\$ 81.01	\$ 86.60	\$ 90.93	\$ 97.20
3	\$ 124.83	\$ 131.70	\$ 140.78	\$ 150.49	\$ 160.88	\$ 171.98	\$ 180.58	\$ 193.04	\$ 202.69	\$ 216.68
4	\$ 201.83	\$ 212.93	\$ 227.62	\$ 243.33	\$ 260.12	\$ 278.07	\$ 291.97	\$ 312.12	\$ 327.73	\$ 350.34
Volume charge per 1,000 gallons	\$ 3.34	\$ 3.52	\$ 3.76	\$ 4.02	\$ 4.30	\$ 4.60	\$ 4.83	\$ 5.16	\$ 5.42	\$ 5.79
Consent decree surcharge	\$ 9.98	\$ 10.53	\$ 11.26	\$ 12.04	\$ 12.87	\$ 13.76	\$ 14.45	\$ 15.45	\$ 16.22	\$ 17.34
<b>Jefferson County Drainage:</b>										
Service charge	\$ 7.68	\$ 8.10	\$ 8.66	\$ 9.26	\$ 9.90	\$ 10.58	\$ 11.11	\$ 11.88	\$ 12.47	\$ 13.33
<b>Oldham County Wastewater:<sup>1</sup></b>										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47.92	\$ 47.92	\$ 47.92	\$ 47.92	\$ 50.32
Volume charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7.80	\$ 7.80	\$ 7.80	\$ 5.80	\$ 6.10
<b>Bullitt County (former BCSD)</b>										
<b>Wastewater:<sup>2</sup></b>										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35.58	\$ 39.85	\$ 44.63
Volume charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10.35	\$ 11.59	\$ 12.98
<b>Bullitt County (former HH and BV)</b>										
<b>Wastewater:<sup>2</sup></b>										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26.83	\$ 31.66	\$ 37.36
Volume charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8.00	\$ 11.60	\$ 16.82

<sup>1</sup>MSD acquired the Oldham County Environmental Authority (OCEA) on June 30, 2020.

<sup>2</sup>MSD acquired the Bullitt County Sanitation District (BCSD) including Hunters Hollow (HH) and Big Valley (BV) on November 30, 2021.

**Schedule 9 - Comparative Schedule of Monthly Commercial and Industrial Rates, Rentals and Charges**  
**Years Ended June 30**

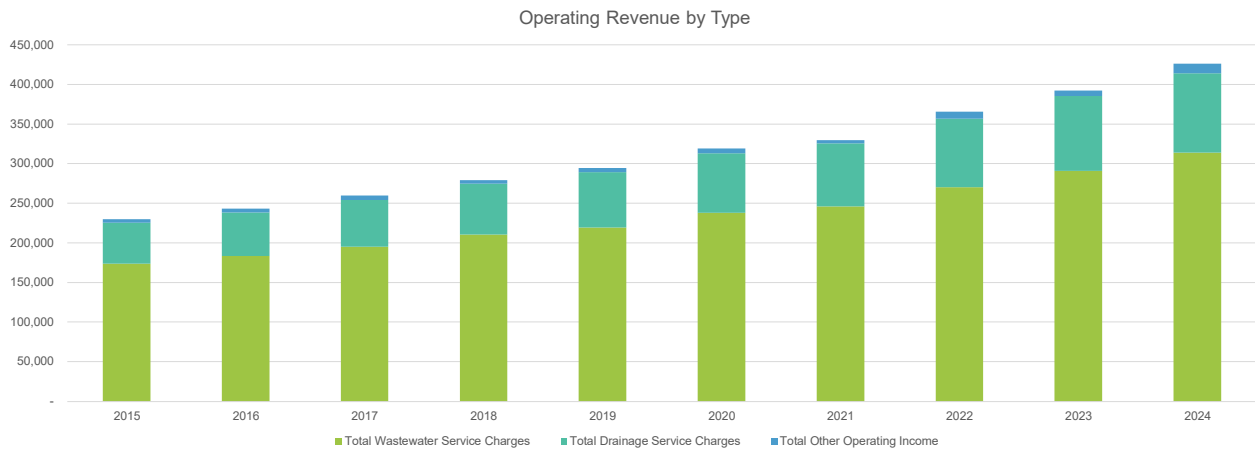
	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Jefferson County Wastewater:</b>										
Service charge by meter size:										
5/8-3/4	\$ 18.76	\$ 19.79	\$ 21.16	\$ 22.62	\$ 24.18	\$ 16.84	\$ 17.68	\$ 18.90	\$ 19.85	\$ 21.22
1	\$ 32.71	\$ 34.51	\$ 36.89	\$ 39.44	\$ 42.16	\$ 33.81	\$ 35.50	\$ 37.95	\$ 39.85	\$ 42.60
1 1/2	\$ 49.08	\$ 51.78	\$ 55.35	\$ 59.18	\$ 63.26	\$ 56.25	\$ 59.06	\$ 63.14	\$ 66.30	\$ 70.87
2	\$ 63.02	\$ 66.49	\$ 71.08	\$ 75.98	\$ 81.22	\$ 77.15	\$ 81.01	\$ 86.60	\$ 90.93	\$ 97.20
3	\$ 133.30	\$ 140.63	\$ 150.33	\$ 160.70	\$ 171.79	\$ 171.98	\$ 180.58	\$ 193.04	\$ 202.69	\$ 216.68
4	\$ 210.04	\$ 221.59	\$ 236.88	\$ 253.22	\$ 270.69	\$ 278.07	\$ 291.97	\$ 312.12	\$ 327.73	\$ 350.34
6	\$ 403.58	\$ 425.78	\$ 455.16	\$ 486.57	\$ 520.14	\$ 546.39	\$ 573.71	\$ 613.30	\$ 643.97	\$ 688.40
8	\$ 606.58	\$ 639.94	\$ 684.10	\$ 731.30	\$ 781.76	\$ 819.60	\$ 860.58	\$ 919.96	\$ 965.96	\$ 1,032.61
10	\$ 793.18	\$ 836.80	\$ 894.54	\$ 956.26	\$ 1,022.24	\$ 1,076.77	\$ 1,130.61	\$ 1,208.62	\$ 1,269.05	\$ 1,356.61
12	\$ 1,151.56	\$ 1,214.90	\$ 1,298.73	\$ 1,388.34	\$ 1,484.14	\$ 1,586.55	\$ 1,665.88	\$ 1,780.83	\$ 1,869.87	\$ 1,998.89
16	\$ 1,395.85	\$ 1,472.62	\$ 1,574.23	\$ 1,682.85	\$ 1,798.97	\$ 1,923.05	\$ 2,019.20	\$ 2,158.52	\$ 2,266.45	\$ 2,422.84
Commercial regular volume charge per 1,000 gallons	\$ 3.86	\$ 4.07	\$ 4.35	\$ 4.65	\$ 4.97	\$ 5.31	\$ 5.58	\$ 5.97	\$ 6.27	\$ 6.70
Industrial regular volume charge per 1,000 gallons	\$ 4.02	\$ 4.24	\$ 4.53	\$ 4.84	\$ 5.17	\$ 5.53	\$ 5.81	\$ 6.21	\$ 6.52	\$ 6.97
Consent decree surcharge (greater of)										
Commercial regular volume base	\$ 9.98	\$ 10.53	\$ 11.26	\$ 12.04	\$ 12.87	\$ 13.76	\$ 14.45	\$ 15.45	\$ 16.22	\$ 17.34
Commercial usage per 1,000 gallons	\$ 1.19	\$ 1.26	\$ 1.35	\$ 1.44	\$ 1.54	\$ 1.65	\$ 1.78	\$ 1.85	\$ 1.94	\$ 2.07
Industrial regular volume base	\$ 9.98	\$ 10.53	\$ 11.26	\$ 12.04	\$ 12.87	\$ 13.76	\$ 14.45	\$ 15.45	\$ 16.22	\$ 17.34
Industrial usage per 1,000 gallons	\$ 1.24	\$ 1.31	\$ 1.40	\$ 1.50	\$ 1.60	\$ 1.71	\$ 1.80	\$ 1.92	\$ 2.02	\$ 2.16
<b>Jefferson County Drainage:</b>										
Service charge per ESU	\$ 7.68	\$ 8.10	\$ 8.66	\$ 9.26	\$ 9.90	\$ 10.58	\$ 11.11	\$ 11.88	\$ 12.47	\$ 13.33
<b>Oldham County Wastewater:<sup>1</sup></b>										
Service charge by meter size:										
5/8-3/4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90.19	\$ 90.19	\$ 90.19	\$ 90.19	\$ 94.70
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117.90	\$ 117.90	\$ 117.90	\$ 117.90	\$ 123.80
1 1/2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193.66	\$ 193.66	\$ 193.66	\$ 193.66	\$ 203.34
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238.66	\$ 238.66	\$ 238.66	\$ 238.66	\$ 250.59
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307.48	\$ 307.48	\$ 307.48	\$ 307.48	\$ 322.85
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370.57	\$ 370.57	\$ 370.57	\$ 370.57	\$ 389.10
Volume charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7.80	\$ 7.80	\$ 7.80	\$ 5.80	\$ 6.10
<b>Bullitt County (former BCSD) Wastewater:<sup>2</sup></b>										
Service charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26.83	\$ 31.66	\$ 37.36
Volume charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8.00	\$ 11.60	\$ 16.82

<sup>1</sup>MSD acquired the Oldham County Environmental Authority (OCEA) on June 30, 2020.

<sup>2</sup>MSD acquired the Bullitt County Sanitation District (BCSD) on November 30, 2021.

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 10 - Comparative Summaries of Operating Revenue**  
**Years Ended June 30**  
**Dollars in Thousands**

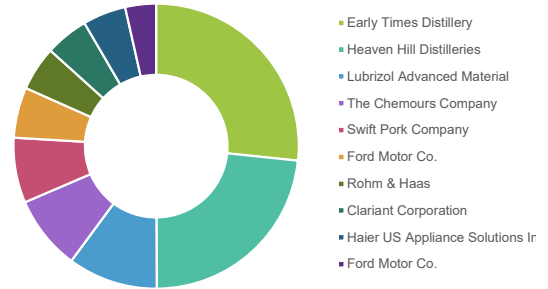
	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Service charges:</b>										
<b>Wastewater service charges:</b>										
Residential	\$ 96,563	\$ 101,405	\$ 108,809	\$ 116,458	\$ 122,830	\$ 140,125	\$ 148,091	\$ 156,764	\$ 167,136	\$ 177,021
Commercial	62,257	58,343	61,860	66,651	71,054	74,134	74,459	86,009	94,538	100,777
Industrial	17,605	19,678	21,218	24,439	23,171	21,758	23,080	23,558	24,938	32,590
Other - net	2,806	8,186	6,853	7,517	6,803	5,997	2,588	7,840	9,156	8,284
Metro Government	(5,336)	(4,220)	(3,775)	(4,429)	(4,391)	(4,207)	(2,416)	(4,105)	(5,071)	(4,845)
<b>Total wastewater service charges</b>	<b>173,895</b>	<b>183,592</b>	<b>194,965</b>	<b>210,636</b>	<b>219,467</b>	<b>237,807</b>	<b>245,802</b>	<b>270,066</b>	<b>290,697</b>	<b>313,827</b>
<b>Drainage service charges:</b>										
Residential	20,090	20,439	22,111	23,811	25,716	27,684	29,413	31,497	34,340	37,203
Commercial	28,936	32,971	35,372	35,778	38,775	41,960	45,220	48,525	52,462	54,441
Industrial	3,030	3,219	3,445	3,864	4,373	4,815	5,239	5,671	6,277	6,870
Other - net	-	-	-	2,533	2,834	2,999	2,576	3,802	4,274	4,904
Metro Government	(489)	(1,741)	(1,950)	(2,118)	(1,992)	(2,406)	(2,533)	(2,691)	(2,887)	(3,053)
<b>Total stormwater service charges</b>	<b>51,567</b>	<b>54,888</b>	<b>58,978</b>	<b>63,868</b>	<b>69,706</b>	<b>75,052</b>	<b>79,915</b>	<b>86,804</b>	<b>94,466</b>	<b>100,365</b>
<b>Total service charges</b>	<b>225,462</b>	<b>238,480</b>	<b>253,943</b>	<b>274,504</b>	<b>289,173</b>	<b>312,859</b>	<b>325,717</b>	<b>356,870</b>	<b>385,163</b>	<b>414,192</b>
<b>Other operating income:</b>										
Capacity charges	2,667	2,087	3,318	3,132	3,552	4,151	2,309	5,072	3,204	6,856
Connection fees	379	1,118	(723)	76	14	363	135	151	-	5
Inflow & infiltration fees	-	-	-	-	1,162	1,155	628	1,610	1,092	1,756
Regional facilities fees	34	16	-	-	-	-	-	-	-	630
Wastewater miscellaneous	1,327	1,589	3,096	1,437	467	529	629	1,664	2,567	2,836
Drainage miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total other operating income</b>	<b>4,407</b>	<b>4,810</b>	<b>5,691</b>	<b>4,645</b>	<b>5,195</b>	<b>6,198</b>	<b>3,701</b>	<b>8,497</b>	<b>6,863</b>	<b>12,083</b>
<b>Total operating revenue</b>	<b>\$ 229,869</b>	<b>\$ 243,290</b>	<b>\$ 259,634</b>	<b>\$ 279,149</b>	<b>\$ 294,368</b>	<b>\$ 319,057</b>	<b>\$ 329,418</b>	<b>\$ 365,367</b>	<b>\$ 392,026</b>	<b>\$ 426,275</b>



**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 11 - Ten Largest Wastewater Customers - Jefferson County**  
**Current Year and Nine Years Ago**

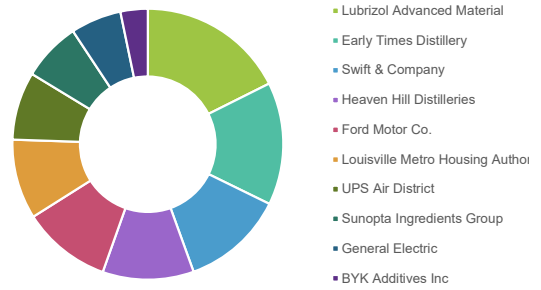
Rank	Customer Name	FY 24 Wastewater Billed	Percent Total Wastewater Revenue
1	Early Times Distillery	\$ 6,435,981	2.13%
2	Heaven Hill Distilleries	5,636,792	1.87%
3	Lubrizol Advanced Material	2,468,843	0.82%
4	The Chemours Company	2,033,380	0.67%
5	Swift Pork Company	1,790,382	0.59%
6	Ford Motor Co.	1,383,171	0.46%
7	Rohm & Haas	1,213,630	0.40%
8	Clariant Corporation	1,185,797	0.39%
9	Haier US Appliance Solutions Inc	1,184,904	0.39%
10	Ford Motor Co.	843,681	0.28%
Total		24,176,560	8.01%
Total FY 24 Jefferson Wastewater Revenue:		\$ 301,829,059	

FY24 Ten Largest Drainage Customers - Jefferson County



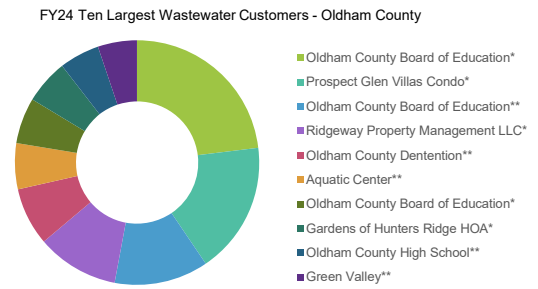
Rank	Customer Name	FY 15 Wastewater Billed	Percent Total Wastewater Revenue
1	Lubrizol Advanced Material	\$ 2,403,315	1.38%
2	Early Times Distillery	1,993,992	1.15%
3	Swift & Company	1,671,739	0.96%
4	Heaven Hill Distilleries	1,479,429	0.85%
5	Ford Motor Co.	1,448,638	0.83%
6	Louisville Metro Housing Authority	1,297,997	0.75%
7	UPS Air District	1,108,602	0.64%
8	Sunopta Ingredients Group	957,081	0.55%
9	General Electric	824,136	0.47%
10	BYK Additives Inc	444,961	0.26%
Total		13,629,890	7.84%
Total FY 15 Jefferson Wastewater Revenue:		\$ 173,895,000	

FY15 Ten Largest Drainage Customers - Jefferson County



**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 12 - Ten Largest Wastewater Customers - Oldham County**  
**Current Year and Nine Years Ago**

Rank	Customer Name	FY 24 Wastewater Billed	Percent Total Wastewater Revenue
1	Oldham County Board of Education*	\$ 95,351	1.31%
2	Prospect Glen Villas Condo*	72,100	0.99%
3	Oldham County Board of Education**	51,587	0.71%
4	Ridgeway Property Management LLC*	44,982	0.62%
5	Oldham County Dentention**	31,709	0.44%
6	Aquatic Center**	25,139	0.35%
7	Oldham County Board of Education*	25,058	0.35%
8	Gardens of Hunters Ridge HOA*	24,345	0.34%
9	Oldham County High School**	21,988	0.30%
10	Green Valley**	21,409	0.29%
Total		413,667	5.70%
Total FY 24 Oldham Wastewater Revenue:		\$ 7,259,936	



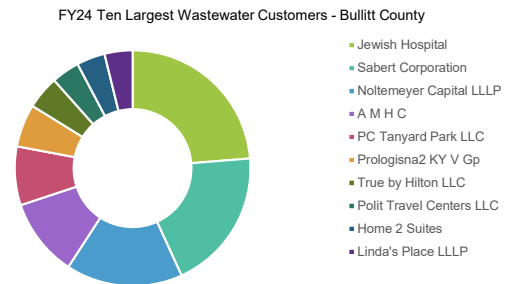
MSD acquired the Oldham County Environmental Authority on June 30, 2020. Information for nine years ago is unavailable.

\*Louisville Water Company customer

\*\*Oldham County Water customer

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 13 - Ten Largest Wastewater Customers - Bullitt County**  
**Current Year and Nine Years Ago**

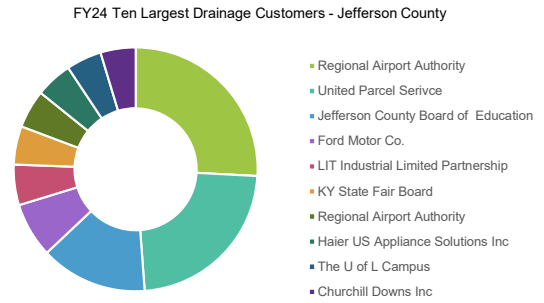
Rank	Customer Name	FY 24 Wastewater Billed	Percent Total Wastewater Revenue
1	Jewish Hospital	\$ 378,300	7.98%
2	Sabert Corporation	311,384	6.57%
3	Noltemeyer Capital LLLP	255,398	5.39%
4	A M H C	171,026	3.61%
5	PC Tanyard Park LLC	129,072	2.72%
6	Prologisna2 KY V Gp	93,595	1.98%
7	True by Hilton LLC	72,314	1.53%
8	Polit Travel Centers LLC	62,041	1.31%
9	Home 2 Suites	61,784	1.30%
10	Linda's Place LLLP	61,561	1.30%
Total		1,596,475	33.69%
Total FY 24 Bullitt Wastewater Revenue:		\$ 4,738,101	



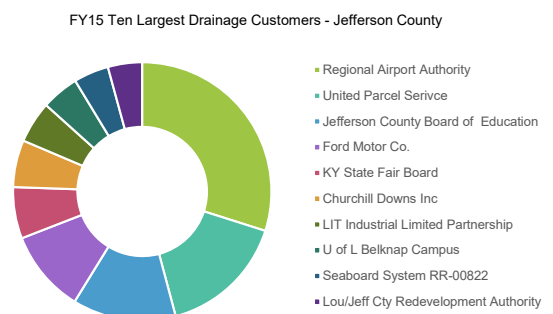
MSD acquired the Bullitt County Sanitation District on November 30, 2021. Information for nine years ago is unavailable.

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 14 - Ten Largest Drainage Customers - Jefferson County**  
**Current Year and Nine Years Ago**

Rank	Customer Name	FY 24 Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$ 1,827,709	1.82%
2	United Parcel Service	1,618,170	1.61%
3	Jefferson County Board of Education	1,004,293	1.00%
4	Ford Motor Co.	509,895	0.51%
5	LIT Industrial Limited Partnership	380,899	0.38%
6	KY State Fair Board	360,472	0.36%
7	Regional Airport Authority	357,407	0.36%
8	Haier US Appliance Solutions Inc	343,115	0.34%
9	The U of L Campus	331,978	0.33%
10	Churchill Downs Inc	327,715	0.33%
Total		7,061,654	7.04%
Total FY 24 Jefferson Drainage Revenue:		\$ 100,364,808	



Rank	Customer Name	FY 15 Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$ 1,152,439	2.00%
2	United Parcel Service	611,250	1.63%
3	Jefferson County Board of Education	498,098	1.03%
4	Ford Motor Co.	397,235	0.51%
5	KY State Fair Board	248,975	0.40%
6	Churchill Downs Inc	226,679	0.39%
7	LIT Industrial Limited Partnership	200,558	0.36%
8	U of L Belknap Campus	179,562	0.33%
9	Seaboard System RR-00822	168,402	0.32%
10	Lou/Jeff Cty Redevelopment Authority	165,284	0.31%
Total		3,848,482	7.46%
Total FY 15 Jefferson Drainage Revenue:		\$ 51,567,000	





**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 15 - Debt Service Coverage Overview**

MSD's Sewer Revenue Bond Resolution adopted on December 7, 1992 and amended on March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003 (the Amended Resolution), and its supplements, requires MSD to fix, establish, maintain, and collect rates and charges for the services of the system sufficient to produce Available Revenues, as defined in the Amended Resolution, to pay for each fiscal year the sum of 110% of Aggregate Net Debt Service, any amount required to be paid into the reserve account, all Operating Expenses, an amount equal to the debt service on senior subordinated and subordinated debt, and any amounts necessary to pay and discharge all charges or liens.

Available Revenues, as used only for purposes of the above rate covenant, means all revenues and other amounts received by MSD and pledged as security for payment of bonds issued pursuant to the Amended 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 Amended 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.

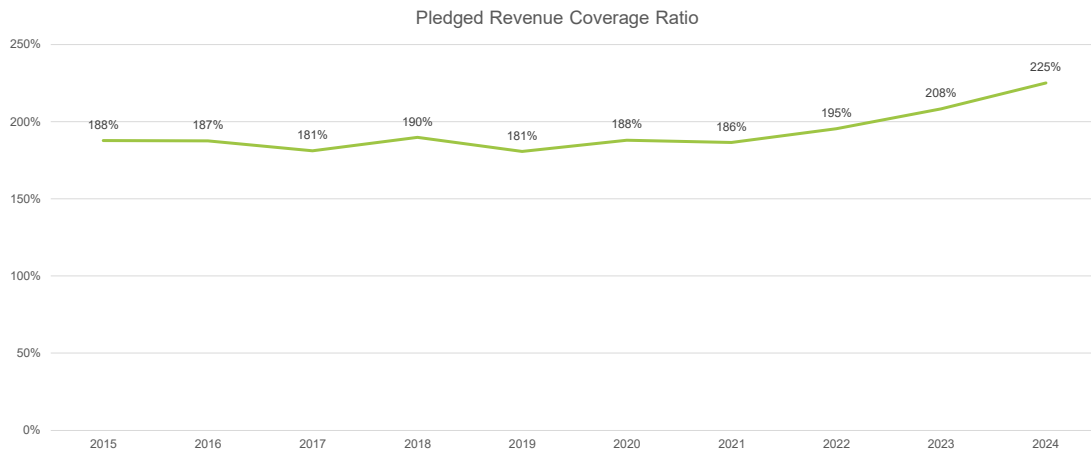
Bonds issued under the Amended Resolution and its supplements are special and limited obligations of MSD payable solely from pledged property. Pledged property includes the proceeds of the sale of bonds, all revenues, all amounts on deposit in the funds or accounts established under the amended resolution and such other amounts as may be pledged by MSD. The coverage ratio for pledged property uses operating expenses as defined above and excludes all subordinate debt service.

Debt service coverage rates are presented both for pledged revenue and for total debt.

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 15a - Comparative Schedule of Pledged Revenue Coverage**  
**Years Ended June 30**  
**Dollars in Thousands**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues:										
Service charges	\$ 225,462	\$ 238,480	\$ 253,943	\$ 274,504	\$ 289,173	\$ 312,859	\$ 325,717	\$ 356,870	\$ 385,163	\$ 414,192
Other operating income	4,407	4,810	5,691	4,645	5,195	6,198	3,701	8,497	6,863	12,083
Assessments	1,901	9,457	1,375	1,232	1,258	909	799	583	429	385
Investment income	17,623	17,278	14,273	16,531	18,692	15,600	12,175	8,877	18,603	23,063
Less: capitalized investment income	-	-	-	-	-	-	-	-	-	-
Total revenues	249,393	270,025	275,282	296,912	314,318	335,566	342,392	374,827	411,058	449,723
Operating expenses:										
Service and administrative costs <sup>1</sup>	106,301	117,671	119,586	131,948	142,082	149,945	151,527	161,144	165,792	178,716
Less: capitalized overhead	(30,056)	(30,516)	(31,949)	(38,148)	(38,383)	(39,643)	(41,785)	(42,166)	(41,151)	(40,786)
Capitalization rate	28%	26%	27%	29%	27%	26%	28%	26%	25%	23%
Net operating expenses	76,245	87,155	87,637	93,800	103,699	110,302	109,742	118,978	124,641	137,930
Net revenues	173,148	182,870	187,645	203,112	210,619	225,264	232,650	255,849	286,417	311,793
Aggregate debt service:										
Current maturities - senior lien	29,415	31,825	33,655	33,906	40,358	40,637	43,802	51,597	52,838	52,509
Interest expense - senior lien	83,404	86,818	90,117	95,041	94,831	92,274	93,067	86,792	91,736	98,705
Less: capitalized interest expense	(20,511)	(21,051)	(20,074)	(21,859)	(18,582)	(13,043)	(12,050)	(7,464)	(6,961)	(12,749)
Aggregate net debt service	\$ 92,308	\$ 97,592	\$ 103,698	\$ 107,088	\$ 116,607	\$ 119,868	\$ 124,819	\$ 130,925	\$ 137,613	\$ 138,465
Pledged revenue coverage ratio	188%	187%	181%	190%	181%	188%	186%	195%	208%	225%

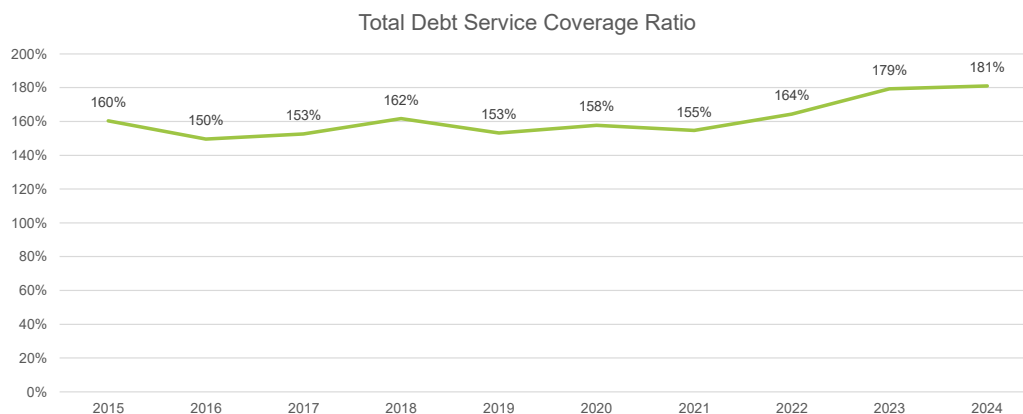
<sup>1</sup>Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB expense for the year.



**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 15b - Comparative Schedule of Total Debt Service Coverage**  
**Years Ended June 30**  
**Dollars in Thousands**

	<b>Fiscal Year</b>									
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Revenues:										
Service charges	\$ 225,462	\$ 238,480	\$ 253,943	\$ 274,504	\$ 289,173	\$ 312,859	\$ 325,717	\$ 356,870	\$ 385,163	\$ 414,192
Other operating income	4,407	4,810	5,691	4,645	5,195	6,198	3,701	8,497	6,863	12,083
Investment income	17,623	17,278	14,273	16,531	18,692	15,600	12,175	8,877	18,603	23,063
Total revenues	247,492	260,568	273,907	295,680	313,060	334,657	341,593	374,244	410,629	449,338
Total operating expenses <sup>1</sup>	106,301	117,671	119,586	131,948	142,082	149,945	151,527	161,144	165,792	178,716
Less: capitalized overhead	(30,056)	(30,516)	(31,949)	(38,148)	(38,383)	(39,643)	(41,785)	(42,166)	(41,151)	(40,786)
Net operating expenses	76,245	87,155	87,637	93,800	103,699	110,302	109,742	118,978	124,641	137,930
Net revenues	171,247	173,413	186,270	201,880	209,361	224,355	231,851	255,266	285,988	311,408
Debt service:										
Current maturities - senior lien	29,415	31,825	33,655	33,906	40,358	40,637	43,802	51,597	52,880	52,375
Current maturities - subordinate	92	96	99	102	105	1,202	2,190	1,927	2,532	17,298
Interest expense - senior lien	83,404	86,818	90,117	95,041	94,831	92,274	93,067	86,792	91,736	98,705
Interest expense - subordinate	14,347	18,115	18,243	17,598	19,966	21,154	22,896	22,375	19,325	16,356
Less: capitalized interest expense	(20,511)	(21,051)	(20,074)	(21,859)	(18,582)	(13,043)	(12,050)	(7,464)	(6,961)	(12,749)
Net debt service	\$ 106,747	\$ 115,803	\$ 122,040	\$ 124,788	\$ 136,678	\$ 142,224	\$ 149,905	\$ 155,227	\$ 159,512	\$ 171,985
Total debt service coverage ratio	160%	150%	153%	162%	153%	158%	155%	164%	179%	181%

<sup>1</sup>Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB expense for the year.



**Schedule 16 - Comparative Schedule of Credit Rating History**  
**Years Ended June 30**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>S&amp;P Global</b>										
Long-term	AA Stable	AA Positive	AA Positive	AA Stable	AA Stable	AA Stable	AA Stable	AA Stable	AA Stable	AA Stable
Short-term (BAN)	SP-1+	SP-1+	SP-1+	SP-1+	SP-1+	SP-1+	SP-1+	SP-1+	SP-1+	Not Rated
Short-term (CP)	Not Rated	Not Rated	Not Rated	A-1+ Stable	A-1+ Stable	A-1+ Stable	A-1+ Stable	A-1+ Stable	A-1+ Stable	A-1+ Stable
<b>Moody's</b>										
Long-term	Aa3 Positive	Aa3 Stable	Aa3 Stable	Aa3 Stable	Aa3 Stable	Aa3 Stable	Aa3 Stable	Aa3 Stable	Aa3 Stable	Aa3 Stable
Short-term (BAN)	MIG 1	MIG 1	MIG 1	MIG 1	MIG 1	MIG 1	MIG 1	MIG 1	MIG 1	Not Rated
Short-term (CP)	Not Rated	Not Rated	Not Rated	P-1 Enhanced	P-1 Enhanced	P-1 Enhanced	P-1 Enhanced	P-1 Enhanced	P-1 Enhanced	P-1 Enhanced
<b>Fitch</b>										
Long-term	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Stable	AA- Stable

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 17 - Comparative Schedule of Outstanding Debt**  
**Years Ended June 30**  
**Dollars in Thousands**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Senior debt:</b>										
Series 2005A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2006A	87,290	-	-	-	-	-	-	-	-	-
Series 2007A	45,815	44,425	42,965	-	-	-	-	-	-	-
Series 2008A	99,850	97,860	65,520	-	-	-	-	-	-	-
Series 2009A	47,280	41,485	13,040	6,640	-	-	-	-	-	-
Series 2009B	150,900	136,115	69,725	52,975	35,155	-	-	-	-	-
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	256,490	254,590	252,610	250,565	248,440	246,225	243,910	-	-	-
Series 2013A	115,790	115,790	115,790	115,790	115,790	115,790	117,480	115,790	-	-
Series 2013B	119,515	118,255	116,940	115,550	114,100	112,575	109,280	109,280	107,515	89,300
Series 2013C	99,875	99,750	99,625	99,500	99,375	99,250	250	125	-	-
Series 2014A	80,000	79,950	79,900	79,850	79,800	79,750	79,700	79,650	79,600	77,280
Series 2015A	-	175,000	174,280	173,735	173,360	173,160	172,175	171,395	170,845	168,525
Series 2015B	-	81,350	79,085	76,685	74,160	71,515	68,815	65,975	62,995	59,865
Series 2016A	-	-	150,000	149,760	149,530	149,290	148,415	147,500	146,540	145,470
Series 2016B	-	-	28,095	28,095	25,825	23,915	21,960	19,910	17,830	16,585
Series 2016C	-	-	67,685	73,415	67,685	50,515	32,305	12,995	-	-
Series 2017A	-	-	-	169,270	169,270	161,895	155,790	149,390	143,280	138,035
Series 2017B	-	-	-	34,520	33,670	32,885	32,055	31,210	30,245	13,505
Series 2018A	-	-	-	60,380	60,380	60,380	60,380	60,380	60,380	60,380
Series 2019A	-	-	-	-	-	24,770	17,065	8,845	-	-
Series 2020A	-	-	-	-	-	-	224,750	224,000	223,000	221,355
Series 2020B	-	-	-	-	-	-	-	-	-	33,137
Series 2020C	-	-	-	-	-	-	110,790	109,605	108,415	37,790
Series 2021A	-	-	-	-	-	-	-	240,485	227,720	214,665
Series 2022A	-	-	-	-	-	-	-	224,750	224,250	223,500
Series 2023A	-	-	-	-	-	-	-	-	49,745	49,745
Series 2023B	-	-	-	-	-	-	-	-	41,950	41,950
Series 2023C	-	-	-	-	-	-	-	-	-	348,380
<b>Total senior debt</b>	<b>1,612,805</b>	<b>1,754,570</b>	<b>1,865,260</b>	<b>1,996,730</b>	<b>1,956,540</b>	<b>1,911,915</b>	<b>2,105,120</b>	<b>2,281,285</b>	<b>2,204,310</b>	<b>2,449,467</b>
<b>Subordinate debt:</b>										
Bond anticipation note	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340	226,340	-
Commercial paper	-	-	-	-	120,000	255,000	150,000	50,000	165,000	212,195
Notes payable	-	-	-	-	100	100	-	-	-	-
Series 2009 GO bonds	-	-	-	-	-	1,155	785	400	-	-
Series 2014 GO bonds	-	-	-	-	-	7,865	7,445	7,010	6,565	6,105
Series 2017 GO bonds	-	-	-	-	-	3,433	3,399	3,364	3,329	2,882
Financing lease	-	-	-	-	-	2,180	2,030	1,870	1,700	1,525
Loan A09-41	2,168	2,072	1,973	1,871	1,767	1,659	1,548	1,433	1,315	1,193
Loan A10-04	-	-	-	-	-	1,974	1,840	1,702	1,563	1,420
Loan A10-05	-	-	-	-	-	715	670	622	574	524
Loan A10-06	-	-	-	-	-	81	76	70	64	-
Loan A10-07	-	-	-	-	-	1,821	1,703	1,581	1,457	1,332
Loan A11-15	-	-	-	-	-	466	434	402	369	335
Loan A12-29	-	-	-	-	-	5,520	5,228	4,932	4,630	4,323
Loan A17-028	-	-	-	-	-	2,013	2,084	2,084	2,084	7,400
Loan A18-010	-	-	-	-	-	1,116	1,092	1,045	996	948
Loan A98-04	-	-	-	-	891	454	-	-	-	-
Loan A19-015	-	-	-	-	-	-	-	2,640	2,528	2,414
Loan A19-028	-	-	-	-	-	-	17,788	22,918	23,705	22,700
Loan B10-01	-	-	-	-	-	-	-	236	210	182
Loan B10-04	-	-	-	-	-	-	-	262	236	210
Loan B15-006	-	-	-	-	-	-	-	70	66	62
<b>Total subordinate debt</b>	<b>228,508</b>	<b>228,412</b>	<b>228,313</b>	<b>228,211</b>	<b>349,098</b>	<b>511,891</b>	<b>422,461</b>	<b>328,982</b>	<b>442,731</b>	<b>265,750</b>
<b>Total senior and subordinate debt</b>	<b>1,841,313</b>	<b>1,982,982</b>	<b>2,093,573</b>	<b>2,224,941</b>	<b>2,305,638</b>	<b>2,423,806</b>	<b>2,527,581</b>	<b>2,610,267</b>	<b>2,647,041</b>	<b>2,715,217</b>
Unamortized bond premiums	(1,495)	(1,431)	(1,011)	(963)	(916)	(868)	(1,101)	(1,052)	(1,004)	(955)
Unamortized bond discounts	62,292	68,893	75,339	91,591	81,337	75,326	75,918	89,102	99,023	111,840
<b>Total debt</b>	<b>\$ 1,902,110</b>	<b>\$ 2,050,444</b>	<b>\$ 2,167,901</b>	<b>\$ 2,315,569</b>	<b>\$ 2,386,059</b>	<b>\$ 2,498,265</b>	<b>\$ 2,602,398</b>	<b>\$ 2,698,317</b>	<b>\$ 2,745,060</b>	<b>\$ 2,826,102</b>
<b>Total debt as percentage of personal income</b>										
	5.4%	5.7%	5.8%	5.9%	5.9%	5.7%	5.3%	5.4%	5.5%	5.5%
<b>Debt Per Capita</b>	<b>\$ 2.49</b>	<b>\$ 2.67</b>	<b>\$ 2.81</b>	<b>\$ 3.01</b>	<b>\$ 3.11</b>	<b>\$ 3.19</b>	<b>\$ 3.35</b>	<b>\$ 3.49</b>	<b>\$ 3.56</b>	<b>\$ 3.66</b>



**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 18 - Schedule of Future Principal and Interest Payments<sup>1</sup>**  
**Dollars in Thousands**

Fiscal Year Ending	Senior Revenue Bonds <sup>1</sup>			Senior Subordinate Bonds <sup>2</sup>			Subordinate Debt			All
	Principal	Interest	Total	Principal	Interest*	Total	Principal	Interest	Total	Total Debt Service
2025	53,985,000	102,639,532	156,624,532	-	-	-	3,475	1,243	4,719	156,629,251
2026	54,535,000	100,312,107	154,847,107	-	-	-	3,560	1,155	4,715	154,851,822
2027	73,245,000	98,068,701	171,313,701	-	-	-	3,646	1,064	4,710	171,318,411
2028	71,825,000	94,459,322	166,284,322	-	-	-	3,727	972	4,699	166,289,021
2029	74,235,000	92,194,380	166,429,380	-	-	-	3,819	877	4,696	166,434,076
2030	55,299,212	90,687,341	145,986,553	-	-	-	3,906	780	4,685	145,991,238
2031	34,863,439	88,796,535	123,659,973	-	-	-	3,456	684	4,140	123,664,114
2032	35,866,281	87,376,535	123,242,816	-	-	-	3,236	600	3,836	123,246,652
2033	36,799,174	85,930,417	122,729,591	-	-	-	3,229	522	3,752	122,733,343
2034	106,737,465	84,587,642	191,325,107	-	-	-	2,861	448	3,309	191,328,416
2035	96,410,464	81,332,916	177,743,380	-	-	-	2,846	381	3,227	177,746,607
2036	103,953,863	76,912,703	180,866,566	-	-	-	2,243	324	2,567	180,869,133
2037	119,226,972	72,145,644	191,372,617	-	-	-	2,092	277	2,369	191,374,986
2038	124,100,139	67,446,624	191,546,762	-	-	-	1,935	234	2,169	191,548,931
2039	128,828,017	62,723,787	191,551,805	-	-	-	1,970	192	2,163	191,553,968
2040	133,672,341	56,050,372	189,722,713	-	-	-	2,009	150	2,159	189,724,872
2041	138,720,688	49,061,514	187,782,201	-	-	-	2,015	107	2,122	187,784,323
2042	144,134,443	41,578,143	185,712,586	-	-	-	1,939	64	2,002	185,714,589
2043	149,763,609	33,797,322	183,560,931	-	-	-	1,157	23	1,179	183,562,110
2044	125,395,526	25,697,058	151,092,584	-	-	-	434	6	441	151,093,025
2045	130,358,740	21,439,313	151,798,053	-	-	-	-	-	-	151,798,053
2046	134,747,305	17,052,766	151,800,070	-	-	-	-	-	-	151,800,070
2047	101,522,532	12,355,033	113,877,566	-	-	-	-	-	-	113,877,566
2048	67,940,934	8,836,380	76,777,315	-	-	-	-	-	-	76,777,315
2049	31,036,224	6,332,265	37,368,488	-	-	-	-	-	-	37,368,488
2050	32,117,974	5,116,137	37,234,111	-	-	-	-	-	-	37,234,111
2051	26,695,841	3,851,208	30,547,049	-	-	-	-	-	-	30,547,049
2052	25,719,825	2,690,762	28,410,588	-	-	-	-	-	-	28,410,588
2053	23,795,277	1,534,520	25,329,797	-	-	-	-	-	-	25,329,797
2054	2,446,850	406,950	2,853,800	-	-	-	-	-	-	2,853,800
2055	2,504,893	348,272	2,853,165	-	-	-	-	-	-	2,853,165
2056	2,564,063	288,205	2,852,267	-	-	-	-	-	-	2,852,267
2057	2,624,707	226,718	2,851,424	-	-	-	-	-	-	2,851,424
2058	2,687,173	163,772	2,850,945	-	-	-	-	-	-	2,850,945
2059	2,750,772	99,332	2,850,104	-	-	-	-	-	-	2,850,104
2059	2,815,852	33,368	2,849,219	-	-	-	-	-	-	2,849,219
	<u>2,453,925,593</u>	<u>1,572,573,596</u>	<u>4,026,499,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,555</u>	<u>10,104</u>	<u>63,659</u>	<u>4,026,562,847</u>

<sup>1</sup>Principal includes interest capitalized during the capitalized interest period described in the WIFIA Loan Agreement for the Series 2020B bonds.

<sup>2</sup>Excludes outstanding commercial paper and net swap payments due under the existing swap agreements.

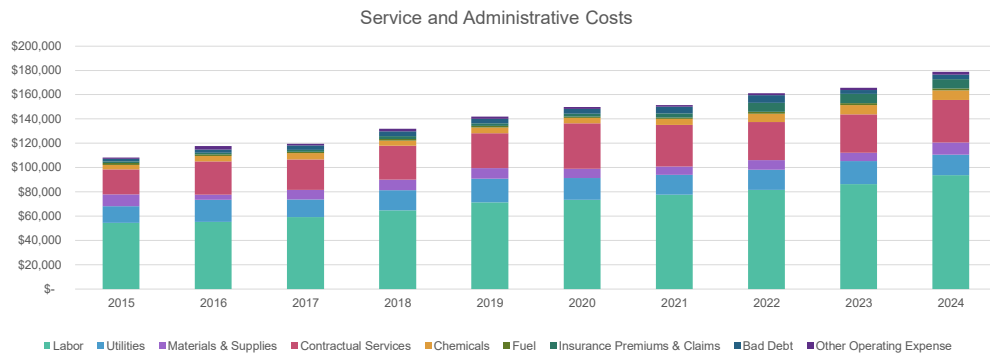
**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 19 - Comparative Schedule of Capital Assets**  
**Years Ended June 30**  
**Dollars in Thousands**

	2015	2016	2017	2018	2019	Fiscal Year 2020	2021	2022	2023	2024
<b>Capital assets</b>										
Sewer lines	\$ 1,277,745	\$ 1,379,153	\$ 1,440,360	\$ 1,497,090	\$ 1,648,891	\$ 1,727,371	\$ 1,761,425	\$ 2,070,342	\$ 2,172,413	\$ 2,205,672
Wastewater treatment facilities	489,292	629,083	638,047	648,503	669,041	604,855	641,414	696,900	754,084	893,114
Drainage facilities	448,853	515,898	542,271	561,341	839,159	902,894	1,019,492	1,033,710	1,167,937	1,126,993
Pumping and lift stations	96,812	139,651	166,158	183,795	240,963	248,390	260,231	286,975	298,862	319,598
Administrative facilities	49,342	49,342	50,817	50,818	51,734	52,297	52,348	52,471	53,173	69,387
Maintenance facilities	8,037	8,504	8,504	8,504	12,074	12,074	14,301	14,576	20,572	16,623
Machinery and equipment	58,335	60,043	66,171	66,322	87,253	89,137	88,493	100,862	99,152	103,998
Miscellaneous	27,060	30,659	31,086	31,086	31,627	32,593	33,375	35,935	59,461	59,652
Prepaid regulatory assets	322,312	343,362	363,437	385,294	403,876	416,919	428,969	436,432	443,393	456,142
Intangible subscription assets	-	-	-	-	-	-	-	-	8,934	11,398
<b>Total capital assets</b>	<b>2,777,788</b>	<b>3,155,695</b>	<b>3,306,851</b>	<b>3,432,753</b>	<b>3,984,618</b>	<b>4,086,530</b>	<b>4,300,048</b>	<b>4,728,203</b>	<b>5,077,981</b>	<b>5,262,577</b>
<b>Less accumulated depreciation &amp; amortization</b>	<b>(1,008,503)</b>	<b>(1,070,108)</b>	<b>(1,146,036)</b>	<b>(1,218,427)</b>	<b>(1,326,461)</b>	<b>(1,358,640)</b>	<b>(1,466,255)</b>	<b>(1,568,375)</b>	<b>(1,671,050)</b>	<b>(1,797,475)</b>
<b>Total capital assets - net</b>	<b>1,769,285</b>	<b>2,085,587</b>	<b>2,160,815</b>	<b>2,214,326</b>	<b>2,658,157</b>	<b>2,727,890</b>	<b>2,833,793</b>	<b>3,159,828</b>	<b>3,406,931</b>	<b>3,465,102</b>
<b>Total construction in progress</b>	<b>623,181</b>	<b>487,674</b>	<b>581,222</b>	<b>711,655</b>	<b>460,501</b>	<b>574,867</b>	<b>625,113</b>	<b>420,200</b>	<b>309,372</b>	<b>438,652</b>
<b>Total net capital assets</b>	<b>\$ 2,392,466</b>	<b>\$ 2,573,261</b>	<b>\$ 2,742,037</b>	<b>\$ 2,925,981</b>	<b>\$ 3,118,658</b>	<b>\$ 3,302,757</b>	<b>\$ 3,458,906</b>	<b>\$ 3,580,028</b>	<b>\$ 3,716,303</b>	<b>\$ 3,903,754</b>

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 20 - Comparative Schedule of Service and Administrative Costs**  
**Years Ended June 30**  
**Dollars in Thousands**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Service and administrative costs:</b>										
Labor <sup>1</sup>	\$ 54,378	\$ 55,229	\$ 59,183	\$ 64,718	\$ 71,379	\$ 73,476	\$ 77,789	\$ 81,552	\$ 86,469	\$ 93,868
Utilities	13,817	18,256	14,427	16,640	19,520	17,923	16,265	16,595	18,838	16,618
Materials & supplies	9,706	4,183	7,976	8,647	8,639	7,591	6,840	8,012	6,826	10,115
Contractual services	20,478	27,448	25,021	27,864	28,604	37,326	34,084	31,288	31,691	34,951
Chemicals	3,681	4,372	5,298	4,429	4,761	4,649	5,017	6,905	7,599	8,015
Fuel	1,616	1,326	1,077	1,276	1,393	1,069	1,083	1,658	1,694	1,498
Insurance premiums & claims	1,505	1,316	1,669	2,423	2,057	2,249	3,624	7,216	7,597	7,828
Bad debt	2,068	2,603	3,495	3,938	3,748	4,009	5,501	6,422	3,046	3,578
Other operating expense	1,052	2,939	1,440	2,012	1,981	1,654	1,323	1,496	2,032	2,244
<b>Total service and administrative costs</b>	<b>108,301</b>	<b>117,671</b>	<b>119,586</b>	<b>131,947</b>	<b>142,082</b>	<b>149,945</b>	<b>151,526</b>	<b>161,144</b>	<b>165,792</b>	<b>178,715</b>
<b>Less: capitalized overhead</b>										
Capitalized project cost	(30,056)	(30,516)	(31,949)	(38,147)	(38,383)	(39,643)	(41,785)	(42,166)	(41,151)	(40,786)
<b>Net service and administrative costs</b>	<b>\$ 78,245</b>	<b>\$ 87,155</b>	<b>\$ 87,637</b>	<b>\$ 93,800</b>	<b>\$ 103,699</b>	<b>\$ 110,302</b>	<b>\$ 109,741</b>	<b>\$ 118,978</b>	<b>\$ 124,641</b>	<b>\$ 137,929</b>

<sup>1</sup>Excludes 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**  
**Schedule 21 - Fiscal Year 2024 Budgetary Comparison Schedule**  
**Dollars in Thousands**

	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Salaries & wages	64,304	65,414	(1,110)
Labor related overhead	26,894	28,454	(1,560)
Utilities	18,698	16,617	2,081
Materials & supplies	9,527	10,115	(588)
Contractual services	39,326	34,951	4,375
Chemicals	11,133	8,014	3,119
Fuel	2,050	1,498	552
Insurance premiums & claims	7,335	7,828	(493)
Bad debt	3,526	3,578	(52)
Other operating expense	2,430	2,244	186
Interest expense	108,271	109,193	(922)
	<u>293,494</u>	<u>287,906</u>	<u>5,588</u>

Reconciliation between total budgetary basis expenditures and total expenses reported in statements of revenues, expenses and changes in net position:

Actual budget expenditures	287,906
Capitalized overhead	(40,786)
Depreciation and amortization expense	131,336
GASB 68 pension expense	(5,328)
GASB 75 OPEB expense	(4,658)
Capitalized interest	(12,749)
Change in fair value - derivative instruments	(5,009)
Total expenses reported in statements of revenues, expenses and changes in net position	<u>350,712</u>

Expenses reported in statements of revenues, expenses and changes in net position:

Total operating expenses	259,279
Interest expense - bonds	98,705
Interest expense - swaps	1,706
Interest expense - other	14,650
Amortization of debt discount / premium	(7,312)
Amortization of loss on refunding	1,442
Capitalized interest	(12,749)
Change in fair value - derivative instruments	(5,009)
Total expenses reported in statements of revenues, expenses and changes in net position	<u>350,712</u>

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 22 - Comparative Schedule of Number of Employees by Division**  
**Years Ended June 30**

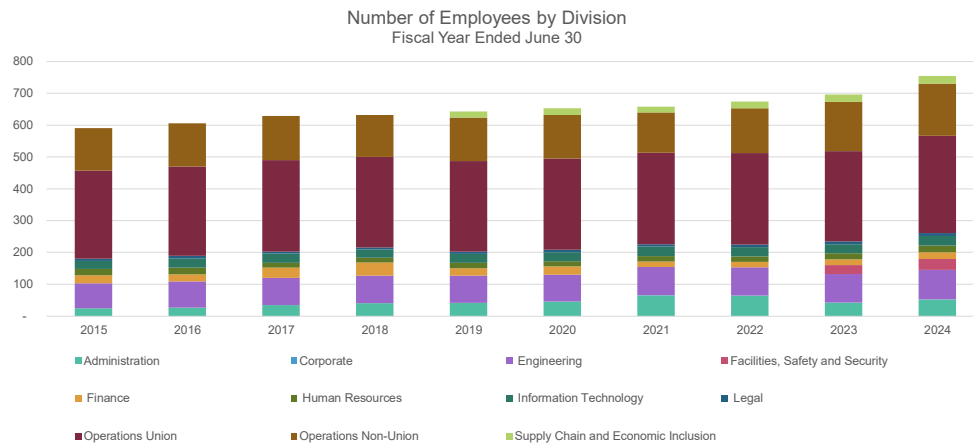
	Fiscal Year									
Division	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Administration <sup>1</sup>	24	26	34	40	41	45	65	64	41	51
Corporate <sup>2</sup>	-	-	-	-	-	-	1	1	1	1
Engineering	79	83	86	87	86	85	88	88	90	93
Facilities, Safety and Security <sup>3</sup>	-	-	-	-	-	-	-	-	28	34
Finance	25	22	32	41	23	26	17	17	18	21
Human Resources	20	21	15	15	17	16	17	17	19	21
Information Technology	25	29	29	26	28	28	30	29	29	31
Legal	7	8	6	6	7	8	8	8	9	9
Operations										
Union	277	281	288	285	285	287	287	288	283	306
Non-Union	134	136	139	132	137	137	127	141	155	164
Supply Chain and Economic Inclusion <sup>4</sup>	-	-	-	-	19	21	18	21	23	24
	591	606	629	632	643	653	658	674	696	755

<sup>1</sup>Administration division growth in 2021 was due to the creation of the Records & Information Governance Department in Administration by moving staff from Finance and Engineering.

<sup>2</sup>Corporate Division headcount occurred with the addition of a Chief Strategy Officer.

<sup>3</sup>Facilities, Safety and Security Division was created by moving staff in Facilities, Safety and Security from Administration.

<sup>4</sup>Supply Chain and Economic Inclusion Division was created by moving the Warehouse Department from Operations and the Procurement and Supplier Diversity Departments from Finance.



**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 23 - Comparative Schedule of Operating Statistics**  
**Years Ended June 30**

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Jefferson County</b>										
Miles of sewers	3,240	3,293	3,322	3,463	3,348	3,488	3,372	3,390	3,404	3,417
Miles of stormwater mains <sup>1</sup>	-	-	-	-	-	-	1,160	1,175	1,179	1,186
Number of wastewater quality treatment centers	16	5	5	5	5	5	5	5	5	5
Daily average treatment in millions of gallons/day	143.0	139.0	112.0	150.0	173.0	164.0	157.0	153.0	152.9	129.0
Daily treatment capacity in millions of gallons/day	177.0	170.0	170.0	200.0	200.0	200.0	200.0	200.0	203.0	203.0
<b>Oldham County<sup>2</sup></b>										
Miles of sewers	-	-	-	-	-	-	135	145	145	130
Number of wastewater treatment plants	-	-	-	-	-	-	8	8	8	7
Daily average treatment in millions of gallons/day	-	-	-	-	-	-	2.0	2.0	2.7	1.5
Daily treatment capacity in millions of gallons/day	-	-	-	-	-	-	4.3	4.3	4.3	4.0
<b>Bullitt County<sup>3</sup></b>										
Miles of sewers	-	-	-	-	-	-	-	54	58	57
Number of wastewater treatment plants	-	-	-	-	-	-	-	7	8	7
Daily average treatment in millions of gallons/day	-	-	-	-	-	-	-	1.0	1.5	1.3
Daily treatment capacity in millions of gallons/day	-	-	-	-	-	-	-	2.0	1.7	1.7

<sup>1</sup>Prior historical data is unavailable.

<sup>2</sup>MSD acquired the Oldham County Environmental Authority on June 30, 2020. Prior historical data is unavailable.

<sup>3</sup>MSD acquired the Bullitt County Sanitation District on November 30, 2021. Prior historical data is unavailable.

**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 24 - Comparative Schedule of Demographic and Economic Statistics**  
**Years Ended June 30**

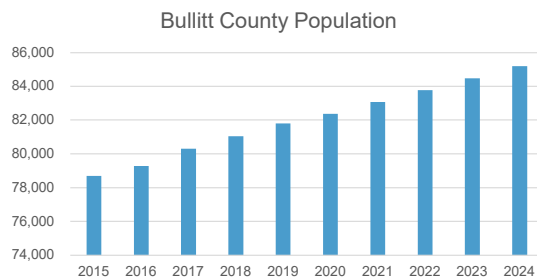
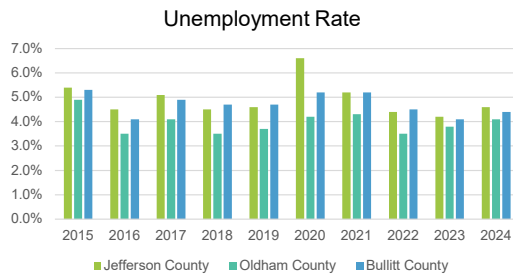
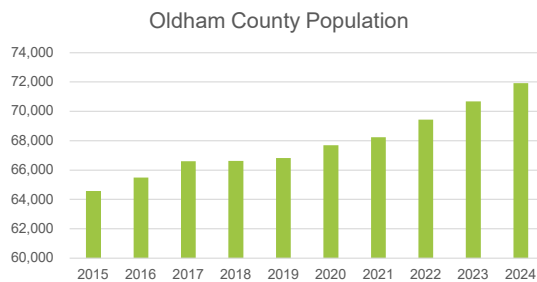
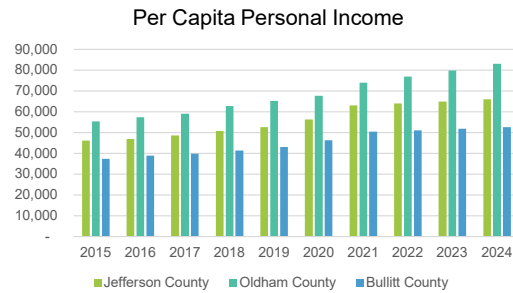
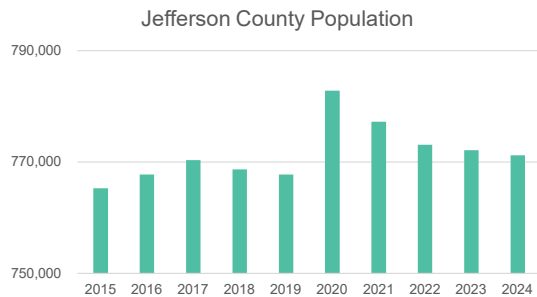
	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Jefferson County</b>										
Population <sup>1</sup>	765,322	767,770	770,383	768,706	767,785	782,845	777,251	773,095	772,144	771,194
Per Capita Personal Income <sup>2</sup>	46,241	47,010	48,637	50,806	52,686	56,306	63,117	64,075	65,048	66,035
Personal Income <sup>3</sup> (in thousands)	35,389,255	36,092,868	37,469,118	39,054,877	40,451,521	44,078,871	49,057,751	49,536,062	50,226,068	50,925,686
Unemployment Rate <sup>4</sup>	5.4%	4.5%	5.1%	4.5%	4.6%	6.6%	5.2%	4.4%	4.2%	4.6%
<b>Oldham County</b>										
Population <sup>1</sup>	64,586	65,487	66,606	66,632	66,818	67,693	68,238	69,444	70,671	71,920
Per Capita Personal Income <sup>2</sup>	55,523	57,444	59,187	62,769	65,218	67,763	74,104	76,988	79,984	83,097
Personal Income <sup>3</sup> (in thousands)	3,586,008	3,761,835	3,942,209	4,182,424	4,357,736	4,587,081	5,056,709	5,346,355	5,652,591	5,976,369
Unemployment Rate <sup>4</sup>	4.9%	3.5%	4.1%	3.5%	3.7%	4.2%	4.3%	3.5%	3.8%	4.1%
<b>Bullitt County</b>										
Population <sup>1</sup>	78,698	79,283	80,309	81,040	81,803	82,366	83,073	83,774	84,481	85,194
Per Capita Personal Income <sup>2</sup>	37,394	38,930	39,907	41,427	43,199	46,371	50,450	51,198	51,957	52,727
Personal Income <sup>3</sup> (in thousands)	2,942,833	3,086,487	3,204,891	3,357,244	3,533,808	3,819,394	4,191,033	4,289,061	4,389,383	4,492,050
Unemployment Rate <sup>4</sup>	5.3%	4.1%	4.9%	4.7%	4.7%	5.2%	5.2%	4.5%	4.1%	4.4%

<sup>1</sup>Source: U.S. Census Bureau, Resident Population in Jefferson County, KY [KYJEPOP], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/KYJEPOP>, June 14, 2024. Data has been updated from last year's Annual Comprehensive Financial Report with newly available data. Population for 2024 calculated by multiplying the estimated 2023 population by the 2022 to 2023 population growth rate.

<sup>2</sup>Source: U.S. Bureau of Labor Statistics, Per Capita Personal Income in Jefferson County, KY [PCPI21111], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCPI21111>, June 14, 2024. Data has been updated from last year's Annual Comprehensive Financial Report with newly available data. Per Capita Personal Income for 2024 and 2023 calculated using the 2021 to 2022 income growth rate.

<sup>3</sup>Equals (Population \* Per Capita Personal Income) / 1,000.

<sup>4</sup>Source: U.S. Bureau of Labor Statistics, Unemployment Rate in Jefferson County, KY [KYJEURN], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/KYJEURN>, August 8, 2024. Data has been updated from last year's Annual Comprehensive Financial Report with newly available data.



**Louisville and Jefferson County Metropolitan Sewer District**  
**Schedule 25 - Jefferson County Principal Employers**  
**Current Year and Nine Years Ago**

Employer <sup>1</sup>	2015			2024		
	Rank	Employees	Percentage of Total MSA Employment	Rank	Employees	Percentage of Total MSA Employment
United Parcel Service, Inc.	1	22,189	3.7%	1	24,000	3.7%
Norton Healthcare (formerly Alliant Health)	4	10,739	1.8%	2	16,785	2.6%
UofL Health Inc.	-	N/A	0.0%	3	14,654	2.3%
Jefferson County Public Schools	2	14,719	2.4%	4	14,000	2.2%
Ford Motor Company	5	9,028	1.5%	5	12,531	1.9%
Baptist Healthcare System	-	N/A	0.0%	6	11,085	1.7%
Humana, Inc.	3	12,900	2.1%	7	10,000	1.5%
GE Appliances, a Haier company	7	6,000	1.0%	8	8,400	1.3%
University of Louisville	6	6,264	1.0%	9	7,302	1.1%
Walmart, Inc.	-	N/A	0.0%	10	7,000	1.1%
Kentucky One Health	8	6,000	1.0%	-	N/A	0.0%
Amazon.com	9	6,000	1.0%	-	N/A	0.0%
Louisville-Jefferson County Metro Government	10	5,584	0.9%	-	N/A	0.0%
Total		99,423	16%		125,757	19%
Total Employment, Louisville MSA <sup>2</sup>		602,845			646,807	

<sup>1</sup>Source: Business First of Louisville, KY

<sup>2</sup>Source: US Bureau of Labor Statistics

Cover photo:  
MSD's Cedar Creek Water Quality Treatment Center  
Jefferson County, KY



700 West Liberty Street  
Louisville, KY 40203-1911  
[LouisvilleMSD.org](http://LouisvilleMSD.org)  
24/7 Customer Relations  
502.540.6000

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**APPENDIX E**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

---

**INTERIM AND UNAUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL PERIOD ENDED MAY 31, 2025**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**AS OF MAY 31, 2025**  
*(amounts in thousands)*  
*(Unaudited)*

	<b>2025 YTD</b>	<b>2024 YTD</b>
<b>Current Assets</b>		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 77,097	\$ 73,953
Investments	52,060	51,732
Accounts receivable, less allowance for doubtful accounts of \$2,398 (2025), \$2,045 (2024)	29,850	21,049
Inventories	5,455	6,256
Accrued interest receivable	981	588
Prepaid expenses and other current assets	741	1,002
Total unrestricted current assets	<u>166,184</u>	<u>154,580</u>
Restricted Current Assets		
Cash and cash equivalents	5,891	17,005
Investments	41,797	24,985
Total restricted current assets	<u>47,688</u>	<u>41,990</u>
<b>Total Current Assets</b>	<u>213,872</u>	<u>196,570</u>
<b>Noncurrent Assets</b>		
Unrestricted Noncurrent Assets		
Investments	46,224	42,589
Accounts receivable, non-current	4,140	4,645
Total unrestricted non-current assets	<u>50,364</u>	<u>47,234</u>
Restricted Noncurrent Assets:		
Cash and cash equivalents	4,335	3,727
Investments	30,136	61,127
Total restricted non-current assets	<u>34,471</u>	<u>64,854</u>
Capital Assets		
Utility plant in service	4,859,465	4,704,620
Less allowance for depreciation	(1,730,513)	(1,611,504)
Net utility plant in service	<u>3,128,952</u>	<u>3,093,116</u>
Construction in progress	622,809	458,392
Prepaid regulatory assets, net of amortization	278,884	280,396
Subscription assets, net of amortization	7,802	5,243
Net capital assets	<u>4,038,447</u>	<u>3,837,147</u>
Other Noncurrent Assets		
Unamortized bond issuance costs	14,263	14,585
Unamortized reserve fund insurance	678	708
Net OPEB asset	2,581	-
Total other noncurrent assets	<u>17,522</u>	<u>15,293</u>
<b>Total Non-current Assets</b>	<u>4,140,804</u>	<u>3,964,528</u>
<b>Total Assets</b>	4,354,676	4,161,098
<b>Deferred Outflow of Resources</b>		
Deferred outflow - pension	21,916	20,102
Deferred outflow - OPEB	9,587	16,397
Unamortized loss on refunding	22,962	10,970
Total deferred outflow of resources	<u>54,465</u>	<u>47,469</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u><u>\$ 4,409,141</u></u>	<u><u>\$ 4,208,567</u></u>



**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**AS OF MAY 31, 2025**  
*(amounts in thousands)*  
*(Unaudited)*

	<b>2025 YTD</b>	<b>2024 YTD</b>
<b>Current Liabilities</b>		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 11,180	\$ 9,414
Accrued salaries and related benefits	9,587	8,799
Total unrestricted current liabilities	20,767	18,213
Current Liabilities To Be Paid From Restricted Assets		
Accounts payable and accrued expenses (capital), includes contractor retainage of \$27,908 (2025), \$13,306 (2024)	30,350	37,422
Accrued interest payable	4,760	4,684
Refundable deposits	1,706	1,654
Revenue bonds payable	53,560	53,985
Short term commercial paper notes	41,797	7,325
Other subordinate debt	3,560	3,189
Subscription asset liability	1,285	68
Total restricted current liabilities	137,018	108,327
<b>Total Current Liabilities</b>	157,785	126,540
<b>Noncurrent Liabilities</b>		
Bonds payable, net	2,491,835	2,503,708
Commercial paper notes	252,195	204,870
Other subordinate debt	78,533	50,366
Net pension liability	119,970	132,407
Net OPEB obligation	-	36,145
Investment derivative asset liability	30,136	20,039
Subscription asset liability	4,318	4,269
<b>Total Noncurrent Liabilities</b>	2,976,987	2,951,804
<b>Total Liabilities</b>	3,134,772	3,078,344
<b>Deferred Inflow of Resources</b>		
Deferred inflow - pension	15,528	6,604
Deferred inflow - OPEB	42,288	15,030
Deferred inflow - derivative instruments	15,804	21,381
Other deferred inflows	12,177	-
Total deferred inflow of resources	85,797	43,015
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>\$ 3,220,569</b>	<b>\$ 3,121,359</b>
<b>Net Position</b>		
Net investment in capital assets	\$ 1,131,261	\$ 987,184
Assets restricted for debt service	77,399	102,162
Unrestricted	22,797	(2,138)
Total net position	1,231,457	1,087,208
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<b>\$ 4,452,026</b>	<b>\$ 4,208,567</b>

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**AS OF MAY 31, 2025**  
*(amounts in thousands)*  
*(Unaudited)*

	<b>2025 YTD</b>	<b>2024 YTD</b>
<b>Operating Revenues</b>		
Service charges	\$ 420,748	\$ 375,811
Other operating income	7,199	9,377
Total operating revenues	<u>427,947</u>	<u>385,188</u>
<b>Operating Expenses</b>		
Service and administrative costs	137,654	120,546
GASB 68 pension/GASB 75 OPEB actuarial expense	-	-
Depreciation and amortization	<u>127,171</u>	<u>119,961</u>
Total operating expenses - net	<u>264,825</u>	<u>240,507</u>
<b>Income from Operations</b>	<u>163,122</u>	<u>144,681</u>
<b>Non-operating Revenue (Expenses)</b>	41,797	
Gain/Loss disposal of assets	(968)	(27)
Transfer of assets	-	-
Investment income	12,492	12,679
Build America bond refund	9,850	10,360
Interest expense - bonds	(93,013)	(89,962)
Interest expense - derivative instruments	(2,345)	(1,600)
Interest expense - other	(10,271)	(13,233)
Amortization of debt discount / premium	7,081	6,766
Amortization of loss on refunding	(1,263)	(1,332)
Capitalized interest	4,610	7,496
Change in fair value - swaps	4,150	4,855
Total non-operating revenue (expenses) - net	<u>30,136</u>	<u>(63,998)</u>
<b>Income before capital contributions</b>	193,258	80,683
<b>Capital contributions</b>	<u>4,943</u>	<u>2,246</u>
<b>Increase in net position</b>	198,201	82,929
<b>Net position, beginning</b>	<u>1,133,069</u>	<u>1,004,279</u>
<b>Net position, ending</b>	<u><u>\$ 1,331,270</u></u>	<u><u>\$ 1,087,208</u></u>

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**AS OF MAY 31, 2025**  
*(amounts in thousands)*  
*(Unaudited)*

	<u><b>2025</b></u>	<u><b>2024</b></u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 432,357	\$ 397,796
Cash paid to suppliers	(120,703)	(100,328)
Cash paid to employees	(67,904)	(59,918)
<b>Net Cash Provided by Operating Activities</b>	<u>243,750</u>	<u>237,550</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of revenue bonds	44,718	124,368
Proceeds from issuance of commercial paper	2,594,495	2,286,560
Proceeds from other subordinate debt	32,014	5,316
Payments for retirement of revenue bonds	(54,556)	(51,115)
Payments for retirement of bond anticipation note	-	(226,340)
Payments for retirement of commercial paper	(2,546,820)	(2,039,365)
Payments for retirement of other subordinated debt	(3,475)	(4,933)
Payments for interest expense	41,797	(116,405)
Payments for interest on derivative instruments	(2,345)	(1,600)
Build America bond interest subsidy	5,180	5,180
Proceeds from capital grants	18,706	3,044
Proceeds from sales of capital assets	-	(26)
Payments for capital assets	(239,095)	(196,265)
Proceeds from assessments	519	658
<b>Net Cash Provided (Used) by Capital and Related Financing</b>	<u>(108,862)</u>	<u>(210,923)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(154,972)	(291,874)
Maturity of investments	170,141	258,850
Investment income	30,136	9,296
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>45,305</u>	<u>(23,728)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	180,193	2,899
Cash and Cash Equivalents, Beginning of Year	79,858	91,786
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 260,051</u></u>	<u><u>\$ 94,685</u></u>

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**AS OF MAY 31, 2025**  
*(amounts in thousands)*  
*(Unaudited)*

	<u><b>2025</b></u>	<u><b>2024</b></u>
<b>Reconciliation of Operating Income to Net Cash provided by Operating Activities</b>		
Income from operations	\$ 163,122	\$ 144,681
Adjustments to reconcile operating income to net cash provided by operating activities		
Capitalized overhead	(35,658)	(38,764)
Depreciation and amortization	127,170	119,960
Accounts receivable	4,392	13,097
Inventories	809	(444)
Prepaid expense	(555)	(764)
Accounts payable	(14,831)	1,288
Customer deposits	17	(488)
Accrued liabilities	(716)	(1,047)
Pension liability and deferred inflows and outflows of resources	0	-
OPEB liability and deferred inflows and outflows of resources	0	31
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 243,750</u></u>	<u><u>\$ 237,550</u></u>
	\$ 41.797	
<b>Non-Cash Capital Financing and Investing Activities</b>		
Contribution of plant, lines and other facilities by developers and property owners	\$ 4,942	\$ 798
Construction costs in accounts payable	30,350	25,627
Unrealized (gain)/loss on investments	(1,605)	(3,390)
Decrease in interest rate swap deferred revenue	(207)	(188)
Change in fair value - derivative instruments	4,150	4,696

**APPENDIX F**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**FORM OF BOND COUNSEL OPINION**

*The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion after the date of such opinion.*

[Date of delivery]

Louisville and Jefferson County  
Metropolitan Sewer District  
Louisville, Kentucky

The Bank of New York Mellon  
Trust Company, N.A., as Registrar and Paying Agent  
Pittsburgh, Pennsylvania

Re: \$289,080,000\* Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System  
Revenue and Refunding Revenue Bonds, Series 2025A

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 above-identified bonds (the “Series 2025A Bonds”).

The Series 2025A Bonds are being issued under and in accordance with the provisions of (a) Chapter 58 and Chapter 76 of the Kentucky Revised Statutes, as amended (the “Act”), (b) 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 (c) a Thirty-Fifth Supplemental Sewer and Drainage System Revenue Bond Resolution adopted by the District on March 24, 2025 (the “Supplemental Resolution”, and the General Bond Resolution as amended and supplemented by the Supplemental Resolution, the “Bond Resolution”). The proceeds of the Series 2025A Bonds, together with other available funds of the District, will be used (i) to currently refund the outstanding principal amount of the District’s Sewer and Drainage System Revenue Bonds, Series 20[ ] (collectively, the “Refunded Bonds”); (ii) to pay, at maturity the District’s outstanding Program Notes maturing on [ ], 2025, issued as Senior Subordinated Debt under the Bond Resolution; (iii) to pay or reimburse costs of construction and acquisition of capital improvements to the District’s sewer and drainage system; (iv) to deposit, in the Reserve Account of the Bond Fund established under the Bond Resolution (the “Reserve Account”), the amount required, after giving effect to any surety bond, insurance policy, letter of credit, or similar obligation deposited in the Reserve Account, such that the amount on deposit in the Reserve Account after such deposit shall be at least equal to the Debt Service Reserve Requirement (as defined in the Bond Resolution); and (v) to pay the costs of issuance of the Series 2025A Bonds.

The Series 2025A 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 before maturity, and bear interest payable on May 15 and November 15 of each year, commencing November 15, 2025, at the respective rates per annum, as have been established by the District pursuant to the Supplemental Resolution.

The Series 2025A 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 special and limited obligations 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.

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\* Preliminary, subject to change.

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 and limited obligation of the District enforceable in accordance with its terms.
4. The Series 2025A Bonds have been duly and validly authorized, executed, and delivered by the District in accordance with law and the Bond Resolution and are valid and binding special and 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 Series 2025A 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 laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Series 2025A Bonds is excludible from gross income for federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series 2025A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Series 2025A Bonds.
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 after the issuance of the Series 2025A 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 Series 2025A 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 Series 2025A 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 Series 2025A 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,

**APPENDIX G**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**BOOK-ENTRY-ONLY SYSTEM**



## BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2025A Bonds. The Series 2025A 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 for each maturity date of the Series 2025A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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](http://www.dtcc.com).

Purchases of Series 2025A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2025A 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 Series 2025A 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 Series 2025A Bonds, except if use of the book-entry system for the Series 2025A Bonds is discontinued.

To facilitate subsequent transfers, all of the Series 2025A 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 Series 2025A 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 Series 2025A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2025A 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.

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 Series 2025A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2025A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2025A Bond documents. For example, Beneficial Owners of Series 2025A Bonds may wish to ascertain that the nominee holding the Series 2025A 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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2025A 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2025A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus

Proxy to the District 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 Series 2025A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2025A 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 detailed information from the District or the Paying 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, the Paying Agent, or the District, 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 the District or the Paying Agent, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2025A Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, if a successor depository is not obtained, Series 2025A Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2025A Bond certificates will be printed and delivered to DTC.

The information in this APPENDIX G concerning DTC and DTC's book-entry system has been obtained from sources the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

**APPENDIX H**

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2025A**

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**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$289,080,000\*

Louisville and Jefferson County Metropolitan Sewer District  
Sewer and Drainage System Revenue and Refunding Revenue Bonds, Series 2025A

SALE DATE AND TIME: August 5, 2025, 10:00 a.m., Eastern Time\*\*

Louisville and Jefferson County Metropolitan Sewer District (the “District”) will, until 10:00 a.m., Eastern Time, on August 5, 2025, receive electronic bids for the purchase of \$289,080,000\* of the District’s Sewer and Drainage System Revenue and Refunding Revenue Bonds, Series 2025A (the “Series 2025A Bonds”). Bids must be submitted through the PARITY® electronic bidding service as described in these Official Terms and Conditions of Bond Sale (these “Official Terms”). Any award of the Series 2025A Bonds will be made on the same day.

Terms used and not defined herein are used as defined in the Preliminary Official Statement for the Series 2025A Bonds.

### BIDDING PROCEDURE; PARITY® ELECTRONIC BIDS ONLY

Only electronic bids submitted via PARITY® will be accepted. No other provider of electronic bidding services may be used. No bid delivered in person or by mail or facsimile will be accepted.

Each bid must be unconditional and received by PARITY® before the Sale Date and Time set forth above. No bid may be withdrawn after the Sale Time. Before the Sale Time, a bidder may, subject to any limitations which may be imposed by PARITY®, modify the proposed terms of its bid, in which event the terms as last modified will constitute such bidder’s bid. At the Sale Time, the bidding will close and each bid shall then constitute an irrevocable offer to purchase the Series 2025A Bonds on the terms provided in the bid and herein.

### ELECTRONIC BIDDING

Electronic bids may be submitted via PARITY® only. Bids submitted through any other provider of electronic bidding services, or delivered to the District in person or by mail or facsimile, will not be accepted. The use of PARITY® electronic bidding shall be at the bidder’s risk and expense, and the District shall have no liability with respect thereto. The District is using electronic bidding as a communications medium, and solely as a convenience for the District and prospective bidders. PARITY® is not acting as the District’s agent. The District assumes no responsibility or liability for bids submitted through PARITY® as the sole authorized electronic bidding service provider. The District is not responsible for the proper operation of, and will not have any liability for, any delays or interruptions of, or any damages caused by, such provider’s service. Without limiting the generality of the foregoing disclaimers, the District does not assume responsibility for any communications or negotiations between bidders and PARITY® as the sole authorized electronic bidding service provider, or for any failure of such provider to accurately or timely transmit to the District any electronic bid submitted via PARITY®.

Each electronic bid submitted via PARITY® shall be deemed an offer to purchase the Series 2025A Bonds, in response to the Official Terms and Conditions of Bond Sale, and shall be binding on the bidder as if made by a signed, sealed written bid delivered to the District. The winning bidder must confirm its bid by a signed PARITY® Bid Form transmitted by email to the Chief Financial Officer of the District at [brad.good@louisvillemisd.org](mailto:brad.good@louisvillemisd.org) (with a copy to the District’s Municipal Advisor at [browne@pfm.com](mailto:browne@pfm.com) and [winterkampe@pfm.com](mailto:winterkampe@pfm.com)), no later than one hour after being notified by the District of its being the winning bidder. Failure to deliver such written confirmation does not relieve the bidder of the obligation to purchase the Series 2025A Bonds.

All electronic bids shall be deemed to incorporate all of the provisions of the Official Terms. If any provision of the Official Terms conflicts with information provided by PARITY®, the Official Terms shall control. The District is not bound by any advice or determination of PARITY® as to whether any bid complies with the Official Terms. The time as determined by PARITY® shall constitute the official time with respect to all bids submitted.

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\* Preliminary, subject to change as provided herein.

\*\* Subject to cancellation or postponement as provided herein.

## PRINCIPAL MATURITIES\*

<u>Due May 15</u>	<u>Amount*</u>	<u>Due May 15</u>	<u>Amount*</u>
2026	\$2,330,000	2041	\$6,565,000
2027	2,470,000	2042	6,895,000
2028	2,990,000	2043	7,240,000
2029	7,035,000	2044	7,600,000
2030	26,690,000	2045	7,980,000
2031	14,640,000	2046	8,380,000
2032	15,625,000	2047	8,820,000
2033	11,705,000	2048	9,280,000
2034	8,830,000	2049	9,770,000
2035	18,375,000	2050	10,280,000
2036	12,205,000	2051	10,820,000
2037	5,400,000	2052	11,390,000
2038	5,670,000	2053	11,990,000
2039	5,955,000	2054	12,615,000
2040	6,255,000	2055	13,280,000

## THE SERIES 2025A BONDS

The Series 2025A Bonds will be dated as of the date set forth in the Bidding Parameters Table attached hereto as Exhibit I (the “Bidding Parameters Table”); will be issued in denominations of \$5,000 or integral multiples thereof; and will bear interest from their date until paid or duly called for redemption at the annual rate or rates specified by the successful bidder, subject to the limitations specified herein, payable as shown on the Bidding Parameters Table. Interest will be computed on the basis of a 360-day year of twelve thirty-day months and will be rounded pursuant to the rules of the Municipal Securities Rulemaking Board (“MSRB”).

The Series 2025A Bonds will mature on the month and day and in the years and principal amounts shown on the Bidding Parameters Table as serial bonds or term bonds, subject to the terms and adjustments described in the Bidding Parameters Table and herein.

## OPTIONAL REDEMPTION

The Series 2025A Bonds may be redeemed before their respective maturity dates at the option of the District on or after the date specified in the Bidding Parameters Table, in whole or in part at any time at the redemption prices set forth in the Bidding Parameters Table, together with accrued interest thereon to the redemption date. The Series 2025A Bonds will not be subject to optional redemption before the date specified in the Bidding Parameters Table.

## FORM OF BIDS, INTEREST RATES, AND BID PRICES

All bids must conform to the requirements of the Official Terms. Bidders must bid to purchase all maturities of the Series 2025A Bonds. No bid will be considered which does not offer to purchase all of the Series 2025A Bonds. Each bid must specify: (i) a single annual rate of interest for each maturity, and (ii) the reoffering price and reoffering yield to the public (as defined below under “Establishment of Issue Price of the Bonds”) for each maturity.

The Series 2025A Bonds must meet the minimum and maximum coupon and pricing criteria specified in the Bidding Parameters Table.

A bidder must specify the rate or rates of interest per annum which the Series 2025A Bonds are to bear, expressed in multiples of one-eighth (0.125) or one-hundredth (0.01) of 1%. Any number of interest rates may be specified, but the Series 2025A Bonds of each maturity must bear interest at the same single rate for all Series 2025A Bonds of that maturity.

## AWARD OF BONDS

All bids will be reviewed by the Chief Financial Officer of the District and PFM Financial Advisors LLC, the District’s independent registered municipal advisor (the “Municipal Advisor”) and will be acted on following the review, tabulation, and

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\* Preliminary, subject to change as provided herein.

verification of the bids received. The District will select the winning bid not later than 4:00 p.m., Eastern Time, on the Sale Date. The decision of the District as to the award of the Series 2025A Bonds will be final. Bids may not be withdrawn before the award.

Unless all bids are rejected, the Series 2025A Bonds will be awarded by the District on the Sale Date to the bidder whose bid complies with the Official Terms and results in the lowest true interest cost to the District. The lowest true interest cost will be determined in accordance with the True Interest Cost ("TIC") method by doubling the semiannual interest rate, compounded semiannually, necessary to discount (i) the debt service payments on the Series 2025A Bonds from the payment dates to the dated date of the Series 2025A Bonds to (ii) the aggregate purchase price of the Series 2025A Bonds. If two or more bidders offer to purchase the Series 2025A Bonds at the same lowest TIC, the District will have the right to award the Series 2025A Bonds to any one of such bidders. There will be no auction among such bidders.

#### ADJUSTMENT OF AMOUNTS AND MATURITIES

Before the Sale Date, the District may cancel the sale of the Series 2025A Bonds or adjust the preliminary aggregate principal amount of the Series 2025A Bonds, and the preliminary principal amount of any maturity of the Series 2025A Bonds, set forth in the Preliminary Official Statement. Notice of a change or cancellation, or of any other change in the Official Terms or in the Preliminary Official Statement, will be announced via Thomson Municipal News at the internet website address [www.tm3.com](http://www.tm3.com) not later than thirty minutes preceding the bid opening. Changes will be communicated in the same manner, at least eighteen hours before the announced date and time for receipt of the bids.

After the receipt and consideration of the bids received, the District may cancel the sale of the Series 2025A Bonds or adjust the aggregate principal amount and the principal amount of each maturity of the Series 2025A Bonds; provided that such adjustments are within the limitations set forth in the Bidding Parameters Table attached hereto as Exhibit I, calculated based on the applicable bid amount. The principal amounts in the Official Terms and the Preliminary Official Statement were calculated assuming a bid price of approximately 105.854%.

The District will consult with the winning bidder before adjusting the amount of any maturity of the Series 2025A Bonds or canceling the sale of the Series 2025A Bonds; however, the District reserves the sole right to make adjustments, within the limits described above, or to cancel the sale of the Series 2025A Bonds. The District intends to notify the winning bidder, if any, of any adjustments made after the award of the Series 2025A Bonds promptly and in any event not later 4:00 p.m., Eastern Time, on the Sale Date unless otherwise agreed with the winning bidder. Adjustments within the limits described above will not relieve the winning bidder from its obligation to purchase all of the Series 2025A Bonds offered by the District, assuming the District has satisfied all other conditions described herein and in the Preliminary Official Statement.

If the principal amount of any maturity of the Series 2025A Bonds is revised after the award, the interest rate and reoffering price (as a percentage of principal) for each maturity and the Underwriter's Discount as a percentage of the par amount of the Series 2025A Bonds as submitted by the winning bidder shall be held constant. The "Underwriter's Discount" shall be (i) the difference between the purchase price of the Series 2025A Bonds offered by the winning bidder and the aggregate of the prices at which the Series 2025A Bonds will be reoffered to the public, calculated based on the reoffering prices specified in the winning bid, (ii) divided by the par amount of the Series 2025A Bonds.

#### DESIGNATION OF TERM BONDS

Bidders may, at their option, designate consecutive principal amounts of the Series 2025A Bonds within the limitations set forth in the Bidding Parameters Table to be combined into any number of term bonds. Each term bond will be subject to mandatory sinking fund redemption in installments in the same amounts and on the same dates as the Series 2025A Bonds would have matured if they were not included in a term bond. The amount redeemed in any year will be equal to the principal amount for such year as set forth in the principal maturities schedule set forth in the Preliminary Official Statement (as such principal amounts may be adjusted in accordance herewith). The term bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and accrued interest to the date of redemption. Bidders may specify one or more of such term bond maturities.

#### ESTABLISHED INDUSTRY REPUTATION REQUIRED OF BIDDERS

By submitting a bid for the Series 2025A Bonds, the bidder certifies it has an established industry reputation for underwriting new issuances of municipal bonds. The District will not accept bids from bidders without an established industry reputation for underwriting new issuances of municipal bonds.

## ESTABLISHMENT OF ISSUE PRICE

1. The winning bidder shall assist the District in establishing the issue price of the Series 2025A Bonds and shall execute and deliver to the District at Closing a certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Series 2025A Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit II or Exhibit III, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District, and Dinsmore & Shohl LLP, bond counsel to the District (“Bond Counsel”). All actions to be taken by the District under the Official Terms to establish the issue price of the Series 2025A Bonds may be taken on behalf of the District by the Municipal Advisor and any notice or report to be provided to the District may be provided to the Municipal Advisor.

2. The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series 2025A Bonds) will apply to the initial sale of the Series 2025A Bonds (the “competitive sale requirements”) because:

- (a) the District shall disseminate the Official Terms to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (b) all bidders shall have an equal opportunity to bid;
- (c) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (d) the District anticipates awarding the sale of the Series 2025A Bonds to the bidder who submits a firm offer to purchase the Series 2025A Bonds at the highest price (or lowest interest cost), as set forth in the Official Terms.

Any bid submitted pursuant to the Official Terms shall be considered a firm offer for the purchase of the Series 2025A Bonds, as specified in the bid.

3. If the competitive sale requirements are not satisfied, the District shall so advise the winning bidder. The District may determine to treat (a) the first price at which 10% of a maturity of the Series 2025A Bonds (the “10% test”) is sold to the public as the issue price of that maturity, or (b) the initial offering price to the public as of the sale date of any maturity of the Series 2025A Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the District if any maturity of the Series 2025A Bonds satisfies the 10% test as of the date and time of the award of the Series 2025A Bonds. The District shall promptly advise the winning bidder, at or before the time of award of the Series 2025A Bonds, which maturities of the Series 2025A Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation if the District determines to apply the hold-the-offering-price rule to any maturity of the Series 2025A Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Series 2025A Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Series 2025A Bonds.

4. By submitting a bid, the winning bidder shall (a) confirm that the underwriters have offered or will offer the Series 2025A Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder, and (b) agree, on behalf of the underwriters participating in the purchase of the Series 2025A Bonds, that the underwriters will neither offer nor sell unsold Series 2025A Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of:

- (a) the close of the fifth business day after the sale date; or
- (b) the date on which the underwriters have sold at least 10% of that maturity of the Series 2025A Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth business day after the sale date whether it has sold 10% of that maturity of the Series 2025A Bonds to the public at a price that is no higher than the initial offering price to the public.

5. If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Series 2025A Bonds, the winning bidder agrees to promptly report to the District the prices at which the unsold Series 2025A Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has

occurred, until either (a) all Series 2025A Bonds of that maturity have been sold, or (b) the 10% test has been satisfied as to the Series 2025A Bonds of that maturity, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Bond Counsel.

6. The District acknowledges that, in making the representations set forth above, the winning bidder will rely on (a) the agreement of each underwriter to comply with the requirements for establishing issue price of the Series 2025A Bonds, including, without limitation, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2025A Bonds, as set forth in an agreement among underwriters and the related pricing wires, (b) if a selling group has been created in connection with the initial sale of the Series 2025A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing the issue price of the Series 2025A Bonds, including, without limitation, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2025A Bonds, as set forth in a selling group agreement and the related pricing wires, and (c) if an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series 2025A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2025A Bonds, including, without limitation, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2025A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series 2025A Bonds, including, without limitation, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2025A Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2025A Bonds, including, without limitation, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2025A Bonds.

7. By submitting a bid, each bidder confirms that:

- (a) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2025A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
  - (i) to (A) report the prices at which it sells to the public the unsold Series 2025A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2025A Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder that the 10% test has been satisfied as to the Series 2025A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires,
  - (ii) to promptly notify the winning bidder of any sales of Series 2025A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2025A Bonds to the public (each such term being used as defined below), and
  - (iii) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.
- (b) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2025A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2025A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2025A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2025A Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the Series 2025A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.



8. Sales of any Series 2025A Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2025A Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of the Official Terms. Further, for purposes of the Official Terms:

- (a) “public” means any person other than an underwriter or a related party,
- (b) “underwriter” means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2025A Bonds to the public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) to participate in the initial sale of the Series 2025A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2025A Bonds to the public),
- (c) a purchaser of any of the Series 2025A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (d) “sale date” means the date that the Series 2025A Bonds are awarded by the District to the winning bidder.

#### BOND FORM AND BOND PAYMENTS

The Series 2025A Bonds will be issued in fully registered, book-entry-only form and a bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Series 2025A Bonds, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Series 2025A Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, premium, if any, and interest on the Series 2025A Bonds will be payable by the paying agent and registrar for the Series 2025A Bonds (the “Bond Registrar”) by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Series 2025A Bonds. Transfer of principal, premium, if any, and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the District nor the Bond Registrar will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. The winning bidder will be required to furnish to DTC within seven days after the sale of the Series 2025A Bonds the customary underwriter’s questionnaire and information as to each DTC participant and the Series 2025A Bonds to be held for it.

#### PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT

The District has authorized the preparation and distribution of a Preliminary Official Statement containing information relating to the Series 2025A Bonds. The District will furnish the winning bidder on the date of closing a certificate of an authorized officer of the District, dated the date of the original issuance and delivery of the Series 2025A Bonds, stating that as of the date thereof, to the best of the knowledge and belief of such officer, the Official Statement does not contain an untrue statement of a material fact concerning the Series 2025A Bonds or omit to state any material fact necessary in order to make the statements made therein concerning the Series 2025A Bonds, in the light of the circumstances under which they were made, not misleading.

The District will provide to the winning bidder a final Official Statement, in electronic form, in accordance with and by the time prescribed in Rule 15c2-12 of the U.S. Securities and Exchange Commission. The winning bidder shall arrange at its own cost for any printed copies it requires of the final Official Statement.

If the Series 2025A Bonds are awarded to a Syndicate, the District designates the senior managing underwriter of the syndicate as the District’s agent for purposes of distributing copies of the final Official Statement to each participating underwriter. Any underwriter submitting a bid with respect to the Series 2025A Bonds agrees thereby that if its bid is accepted, it shall accept such designation and shall enter into an appropriate contractual relationship with all participating underwriters for the purpose of assuring the receipt and distribution by each participating underwriter of the final Official Statement.

Notwithstanding the generality of the foregoing, by submitting a bid for the Series 2025A Bonds the winning bidder further affirmatively agrees to disseminate to all members of any underwriting syndicate copies of the final Official Statement, including any supplements prepared by the District, and to take any and all other actions necessary to comply with applicable rules of the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board governing the offering, sale, and delivery of the Series 2025A Bonds to ultimate purchasers.

#### BLUE SKY LAWS

By submission of its bid, each bidder represents that the sale of the Series 2025A Bonds or beneficial interests therein in states other than the Commonwealth of Kentucky will be made only pursuant to exemptions from registration or, where necessary, that the winning bidder will register the Series 2025A Bonds or beneficial interests therein in accordance with the securities laws of the states in which the Series 2025A Bonds or beneficial interests therein are offered or sold. The District agrees to cooperate with the winning bidder in registering the Series 2025A Bonds or beneficial interests therein or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the District will not consent to service of process outside its geographical boundaries.

#### RIGHT OF REJECTION

The District expressly reserves the right: (i) to waive any informalities in the bids, (ii) to reject all bids, any incomplete bid, or any bid not fully complying with all of the requirements set forth herein, and (iii) to solicit new bids or proposals for the sale of the Series 2025A Bonds or otherwise provide for the sale of the Series 2025A Bonds if all bids are rejected or the winning bidder defaults, and such action is permitted by applicable law.

#### GOOD FAITH DEPOSIT

The presumptive winning bidder will be required to provide a good faith deposit in the amount of \$2,890,800 payable to the order of the District in the form of a wire transfer in federal funds as instructed by the Municipal Advisor. The presumptive winning bidder shall submit the Good Faith Deposit not more than two hours after verbal award of the Series 2025A Bonds is communicated to the presumptive winning bidder. The presumptive winning bidder shall provide; as soon as it is available, evidence of the wire transfer by providing to the District the federal funds reference number. The Series 2025A Bonds will not be awarded until such time as the presumptive winning bidder has provided the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the District may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Series 2025A Bonds to such bidder. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is nonetheless obligated to pay to the District an amount equal to the amount of the Good Faith Deposit as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit.

#### SUBMISSION OF A BID TO PURCHASE THE SERIES 2025A BONDS SERVES AS ACKNOWLEDGEMENT AND ACCEPTANCE OF THE TERMS OF THIS GOOD FAITH DEPOSIT REQUIREMENT

The Good Faith Deposit so wired will be retained by the District until the delivery of the Series 2025A Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Series 2025A Bonds or the Good Faith Deposit will be retained by the District as partial liquidated damages upon the failure of the winning bidder to take up and pay for the Series 2025A Bonds in compliance with the Official Terms and the terms of its bid. No interest on the Good Faith Deposit will be paid by the District. The balance of the purchase price must be wired by the winning bidder in federal funds, or other funds immediately available to the District, to the account detailed in the closing memorandum, simultaneously with delivery of the Series 2025A Bonds.

#### LEGAL OPINIONS, CLOSING DOCUMENTS, AND NO LITIGATION CERTIFICATE

There will be furnished without charge to the purchaser of the Series 2025A Bonds at the time of delivery thereof the approving legal opinion of Bond Counsel, as to the validity of the Series 2025A Bonds and the Bond Resolution and the tax treatment of the Series 2025A Bonds, and a legal opinion of Bond Counsel that the information contained in the Official Statement under the captions "THE SERIES 2025A BONDS" (other than under the heading, "Book-Entry System," as to which no opinion is expressed), "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025A BONDS," "FUNDS AND ACCOUNTS," and "TAX TREATMENT" therein, and in "APPENDIX B – Definitions of Certain Terms and Summary of Provisions of the Resolution" thereto, insofar as such information purports to summarize provisions of law and the terms of the Series 2025A Bonds and the Bond Resolution, are accurate.

There will also be furnished to the purchaser of the Series 2025A Bonds the usual closing documents, including a certificate of the District dated the date of delivery of the Series 2025A Bonds, stating that there is no litigation pending or, to the knowledge of the District, threatened, affecting the validity of the Series 2025A Bonds or the Bond Resolution.

#### DELIVERY AND PAYMENT

Delivery of the Series 2025A Bonds will be made by the District to DTC in book-entry-only form, in New York, New York, on or around August 19, 2025, or such other date as may be agreed by the District and the winning bidder.

At the time of delivery of the Series 2025A Bonds, payment of the amount due for the Series 2025A Bonds must be made by the winning bidder to the order of the District in federal funds or other funds immediately available to the District, or by such other means as may be acceptable to the District. Any expense incurred in providing immediately available funds, whether by transfer of federal funds or otherwise, shall be borne by the purchaser.

#### RIGHT OF CANCELLATION

The winning bidder will have the right, at its option, to cancel its obligation to purchase if the District fails to cause the Series 2025A Bonds to be tendered for delivery within sixty days from the date of sale and award thereof, and in such event the winning bidder will be entitled to the return of the Good Faith Deposit accompanying its bid.

#### CUSIP NUMBERS; EXPENSES OF THE PURCHASER

It is anticipated that CUSIP numbers will be assigned to each of the Series 2025A Bonds, but neither the failure to type or print such numbers on any of the Series 2025A Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Series 2025A Bonds. The policies and procedures of the CUSIP Service Bureau will govern the assignment of CUSIP numbers to the Series 2025A Bonds. No CUSIP number shall be deemed to be a part of any Series 2025A Bond or a part of the contract evidenced thereby and no liability shall attach to the District or any of its officers or agents because of or on account of such numbers. The Municipal Advisor will request the assignment of CUSIP numbers no later than one business day after notice of sale of the Series 2025A Bonds is posted on PARITY® in accordance with Section 424.360 of the Kentucky Revised Statutes and MSRB Rule G-34. CUSIP Service Bureau charges for the assignment of the CUSIP numbers shall be the responsibility of and shall be paid for by the winning bidder.

All charges of The Depository Trust Company and all other expenses of the winning bidder for the Series 2025A Bonds will be the responsibility of the winning bidder.

#### CHOICE OF LAW

Any litigation or claim arising out of any bid submitted pursuant to the Official Terms shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. The venue for any such action shall be the Circuit Court of Jefferson County, Kentucky.

#### ADDITIONAL INFORMATION

Reference is made to the Preliminary Official Statement for a description of the Series 2025A Bonds and the District. Prospective bidders for the Series 2025A Bonds must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision. Additional information concerning the matters discussed in the Official Terms and Conditions of Bond Sale, and a copy of the Preliminary Official Statement in electronic form, may be obtained from the District's Municipal Advisor, PFM Financial Advisors LLC, 4350 North Fairfax Drive, Suite 590, Arlington, Virginia 22203, [www.pfm.com](http://www.pfm.com), Attention: Erick Winterkamp, Senior Managing Consultant, (703) 741-0175, [winterkampe@pfm.com](mailto:winterkampe@pfm.com).

LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT

By: /s/ Brad Good  
Chief Financial Officer

Dated: July 29, 2025

EXHIBIT I  
TO  
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\* \* \* \* \*

BIDDING PARAMETERS TABLE\*

INTEREST	PRICING
Dated Date: August 19, 2025	Maximum Reoffering Price:
Date of Delivery: August 19, 2025	Each Maturity: No Limit
Interest Payment Dates: May 15 and November 15	Aggregate: No Limit
First Interest Payment Date: November 15, 2025	Minimum Reoffering Price:
Coupon Multiples: 1/8 or 1/100 of 1%	Each Maturity: 100.00%
Maximum Coupon:	Aggregate: 100.00%
2026-2035: 5.00%	
2036-2055: 6.00%	
Minimum Coupon:	
2026-2035: No Limit	
2036-2055: 5.00%	
PRINCIPAL	PROCEDURAL
Optional Redemption: Bonds maturing on or after May 15, 2036 are callable on or after November 15, 2035, at par	Sale Time: August 5, 2025 at 10:00 a.m. Eastern Time
Maximum Permitted Principal Increases: No Limit	Bid Submission: 10:00 a.m. Eastern Time
Maximum Permitted Principal Reduction: No Limit	Electronic only through PARITY®
Term Bonds:	All or None: Yes
Any consecutive annual maturities occurring on or after May 15, 2036;	Bid Award Method: Lowest TIC
Sinking fund installments must total to the outstanding principal amount	Bid Confirmation: Via email, signed copy of PARITY® screen
	Awarding of Bid: Not later than 4:00 p.m., Eastern Time
	Good Faith Deposit: \$2,890,800, as more fully described herein

\* If numerical or date references contained in the body of the Official Terms conflict with this Bidding Parameters Table, the body of the Official Terms shall control. Consult the body of the Official Terms for a detailed explanation of the items contained in this Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items. Information in this Bidding Parameters Table may be subject to adjustment as set forth in the Official Terms.

EXHIBIT II  
TO  
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

FORM OF ISSUE PRICE CERTIFICATE TO BE USED FOR SALES FOR WHICH THE COMPETITIVE  
SALE RULE IS AVAILABLE

\* \* \* \* \*

ISSUE PRICE CERTIFICATE

Dated August 19, 2025

Re: \$289,080,000\* Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue and Refunding Revenue Bonds, Series 2025A

The undersigned, [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [the “Representative”], on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Series 2025A Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Series 2025A Bonds to the Public by [SHORT NAME OF UNDERWRITER] [the Underwriting Group] were the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Series 2025A Bonds used by [SHORT NAME OF UNDERWRITER] [upon which [SHORT NAME OF UNDERWRITER] [the Representative] based its bid to purchase the Series 2025A Bonds. Attached as Schedule B is a true and correct copy of the bid submitted by [SHORT NAME OF UNDERWRITER] [the Representative] to purchase the Series 2025A Bonds.

(b) [SHORT NAME OF UNDERWRITER] [the Representative] was not given the opportunity to review other bids before submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] [the Representative] constituted a firm offer to purchase the Series 2025A Bonds.

2. Defined Terms.

(a) “Issuer” means the Louisville and Jefferson County Metropolitan Sewer District.

(b) “Maturity” means Series 2025A Bonds with the same credit and payment terms. Series 2025A Bonds with different maturity dates are treated as separate Maturities.

(c) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2025A Bonds. The Sale Date of all of the Series 2025A Bonds was August 5, 2025.

(e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2025A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2025A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2025A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER] [the Representative’s] interpretation of any laws, including specifically Section 103 and

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\* Preliminary, subject to change as provided herein.

Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance certificate of even date herewith relating to the Series 2025A Bonds and with respect to compliance with the federal income tax rules affecting the Series 2025A Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Series 2025A Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2025A Bonds.

[UNDERWRITER] [REPRESENTATIVE]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE  
EXPECTED OFFERING PRICES  
(See attachment)

SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE  
COPY OF UNDERWRITER'S BID

(See attachment)



EXHIBIT III  
TO  
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

FORM OF ISSUE PRICE CERTIFICATE TO BE USED FOR SALES FOR WHICH THE COMPETITIVE  
SALE RULE IS UNAVAILABLE

\* \* \* \* \*

ISSUE PRICE CERTIFICATE

Dated August 19, 2025

Re: \$289,080,000\* Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue and Refunding Revenue Bonds, Series 2025A

The undersigned, [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [the “Representative”], on behalf of, itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Series 2025A Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2025A Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Series 2025A Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the offering-price rule. In accordance with such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2025A Bonds during the Holding Period.

3. Defined Terms.

(a) “General Rule Maturities” means those Maturities of the Series 2025A Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price Maturities” means those Maturities of the Series 2025A Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “Holding Period” means, for each Maturity of the Series 2025A Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (August 5, 2025), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Maturity of the Series 2025A Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(d) “Issuer” means the Louisville and Jefferson County Metropolitan Sewer District.

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\* Preliminary, subject to change as provided herein.

(e) “Maturity” means Series 2025A Bonds with the same credit and payment terms. Series 2025A Bonds with different maturity dates, or Series 2025A Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2025A Bonds. The Sale Date of the Series 2025A Bonds is August 5, 2025.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2025A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2025A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2025A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER] [the Representative’s] interpretation of any laws, including specifically Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance certificate of even date herewith relating to the Series 2025A Bonds and with respect to compliance with the federal income tax rules affecting the Series 2025A Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Series 2025A Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2025A Bonds.

[Signature page to follow]

SIGNATURE PAGE TO ISSUE PRICE CERTIFICATE

[UNDERWRITER] [REPRESENTATIVE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(See attachment)

SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE  
PRICING WIRE OR EQUIVALENT COMMUNICATION  
(See attachment)