PADUCAH MCCRACKEN JOINT SEWER AGENCY
PADUCAH, KENTUCKY

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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Independent Auditor's Report

Board of Directors
Paducah McCracken Joint Sewer Agency
Paducah, Kentucky

Opinion

We have audited the accompanying financial statements of the business-type activities of Paducah McCracken Joint Sewer Agency as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Paducah McCracken Joint Sewer Agency, as of June 30, 2023 and 2022, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Paducah McCracken Joint Sewer Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Paducah McCracken Joint Sewer Agency'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 opinions. 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 generally accepted 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 generally accepted 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 Paducah McCracken Joint Sewer Agency'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 Paducah McCracken Joint Sewer Agency'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9 and schedules of employer's proportionate share of the net pension liability and the net postemployment benefits other than pension liability, and employer contributions information on pages 33 through 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Paducah McCracken Joint Sewer Agency's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the budgetary comparison information on pages 37 through 39 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the budgetary comparison information is 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 3, 2023, on our consideration of the Paducah McCracken Joint Sewer Agency'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 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 Paducah McCracken Joint Sewer Agency'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 Paducah McCracken Joint Sewer Agency's internal control over financial reporting and compliance.

Williams, Williams + Lentz, LLP

Paducah, Kentucky
October 3, 2023

REQUIRED SUPPLEMENTARY INFORMATION

PADUCAH McCRACKEN JSA JOINT SEWER AGENCY

As management of the Paducah McCracken Joint Sewer Agency (JSA), we offer readers of the JSA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

- Net capital assets increased $825 thousand (1.0%) over prior FY
- Total net position increased $3.217 million during the year
- Operating revenues increase $549 thousand (5.5%) over FY 2022
- Debt service coverage ratio above level of compliance at 2.56 for FY 2023

Required Financial Statements

Statement of Net Position – The purpose of the Statement of Net Position is to report all of the assets held and liabilities owed by the JSA. The statement shows the JSA's level of investment in resources (assets) and the obligations to creditors (liabilities). The difference between the assets and liabilities is labeled net position and is similar to owners' equity presented by a commercial enterprise. The purpose of the JSA is not to accumulate net assets, but rather to reinvest in the infrastructure and to build sufficient reserves in the event of an emergency. In general, increases in net position indicate that the financial position of the JSA is improving over time.

Statement of Revenues, Expenses and Changes in Net Position – The purpose of this statement is to identify the revenues generated and expenses incurred by the JSA. The focus of this statement is to help the user identify the operating results of the JSA during the fiscal year. The difference between revenues and expenses is called the change in net position and is similar to net income reported by a commercial entity.

Statement of Cash Flows – The purpose of the Statement of Cash Flows is to analyze the cash receipts and disbursements made by the JSA during the fiscal year. The statement reports cash inflows and outflows resulting from three main business activities: operating, financing and investing. The statement addresses the sources and uses of cash, and the change in cash balances from the previous reporting period.

Financial Information

EXHIBIT 1: Condensed Statements of Net Position (in thousands)

	FYE 06/30/23	FYE 06/30/22	Dollar Change	Percent Change
Assets				
Current assets	$16,841	$16,036	$805	5.0%
Capital assets	85,124	84,299	825	1.0%
Restricted funds	1,569	1,535	34	2.2%
Deferred charges & other noncurrent assets	2,558	294	2,264	770%
Total assets	106,092	102,164	3,928	3.8%
Deferred Outflows of Resources	1,569	1,352	217	16.1%
Liabilities & net position				
Current liabilities	2,809	3,311	(502)	-15.2%
Noncurrent liabilities	35,802	34,323	1,479	4.3%
Total liabilities	38,611	37,634	977	2.6%
Deferred Inflows of Resources	1,276	1,324	(48)	-3.6%
Invested in capital assets, net	52,932	53,361	(429)	-0.8%
Restricted	1,569	1,535	34	2.2%
Unrestricted	13,273	9,661	3,612	37.4%
Total net position	$67,774	$64,557	$3,217	5.0%

Capital Assets and Long-Term Debt Activity

JSA primary capital outlays are related to the Consent Judgment with the Kentucky Environmental and Public Protection Cabinet and Environmental Protection Agency, specifically the Long-Term Control Plan for combined sewer overflows (CSOs) and mitigation of separate sanitary sewer overflows (SSOs). The LTCP Project #3, Phase 1 project, which is to construct a diversion structure and first phase of an 80 million gallon a day (MGD) pumping station, was bid and awarded in FY 2021, with substantial completion in October/November of 2022. The approximate $6.2 million-dollar project, funded by a Kentucky Infrastructure Agency (KIA) loan, supplements the 15 million-gallon storage tank recently completed and is the first in a series of projects to construct a screening and disinfection facility to serve the combined sewer overflow at Outfall 003 of the Paducah Wastewater Treatment Plant. The design of the next phase of construction was awarded in late FY 2021, with advertisement and construction scheduled for FY 2024. The JSA's Consent Judgment is a multi-year, multi-project endeavor, and the agency will continue to award and construct related projects and search for funding options in the years to come as they complete additional Consent Judgment and LTCP projects.

The JSA also continues to rebuild and rehabilitate the aging sewer infrastructure within the collection system and treatment plants as well as extend sewers to previously unsewered and undeveloped areas of the city and county. The JSA is committed to capital investments in infrastructure assets to protect the integrity of, and enhance, the existing sewer system.

Total Liabilities and Net Position

Total liabilities increased during FY 2023 by $977 thousand or 2.6% over FY 2022.

The JSA's total net position increased by $3.2 million or 5.0% during FY 2023.

EXHIBIT 2: Condensed Statements of Revenue, Expenses and Changes in Net Position (in thousands)

	06/30/23	06/30/22	Dollar Change	Percent Change
Revenue				
Operating revenues	$10,470	$9,921	$549	5.5%
Non-operating revenues	660	380	280	73.6%
Total revenues	11,130	10,301	829	8.0%
Expenses				
Depreciation	2,869	2,893	(24)	-0.8%
Operating expenses	5,020	4,863	157	3.2%
Non-operating expenses	655	710	(55)	-7.7%
Total expenses	8,544	8,466	78	0.9%
Contributions	630	176	454	258.0%
Change in net position	3,216	2,011	1,205	59.8%
Beginning net position, adjusted	64,558	62,546	2,012	3.2%
Ending net position	$67,774	$64,557	$3,217	5.0%

Budget

The JSA conducts its activities in accordance with a budget for operating revenues, operating expenses, and capital purchases. The JSA is required to adopt a budget annually. Through monitoring and review by the JSA Board, the Agency continuously meets its responsibility for sound financial management.

Operating revenues for FY 2023 finished $549 thousand above the amount for the prior year. Sewer charges comprise the bulk of operating revenues and are billed based on customer water consumption. These charges came in $236 thousand more than budgeted for FY 2023. Operating expenses came in under budget for the fiscal year finishing $113 thousand below estimate.

JSA received $630 thousand in capital contributions during the fiscal year. These contributions came in the forms of grant revenue of $124 thousand and developer non-cash contributions of $506 thousand.

Results of Operations

Total revenues of $10.47 million, showed an increase of $549 thousand from FY 2022. Total expenses increased $78 thousand from FY 2022.

EXHIBIT 3: Detail of Operating Expenses (Excluding Depreciation)

Operating Expenses (in thousands)	06/30/23	06/30/22	Dollar Change	% Change
Salaries, wages and benefits	$2,496	$2,493	$3	0.1%
Chemicals, testing, & solid disposal	431	387	44	11.4%
Utilities	920	934	(14)	-1.5%
Material, supplies and repairs	499	402	97	24.1%
Fleet expense	155	147	8	5.4%
Professional fees	71	102	(31)	-30.4%
Billing, collection and bad debts	192	176	16	9.1%
All other	247	214	33	15.4%
Total	$5,011	$4,855	$156	3.2%

Salaries, Wages and Benefits

Salaries, wages and benefits comprise the bulk of operating expenses. These expenses increased 0.1% over FY 2022. The change is affected by a decrease in the pension and insurance reporting requirement mandated by GASB. It is important to note that this reporting requirement is a deferred charge, not an actual current year cash outlay or credit. For FY 2023, JSA recorded a $36 thousand pension cost reduction due to reporting requirements mandated by GASB compared to an expense of $67 thousand in FY 2022. JSA employees did receive annual raises, which averaged an approximate 3.5% increase in the salary pool. The County Employees Retirement System (CERS) slightly decreased the contribution requirement for FY 2023 from FY 2022.

Other Operating Expenses

Chemicals, testing and solids disposal showed a $44 thousand increase from the prior year. Chemical usage amounts and costs vary from year-to-year based on a variety of factors, including economic conditions and pricing, as well as certain operational parameters which vary due to odor control requirements, treatment plant flows, and the maintenance of the bacterial inventory at the wastewater treatment plants. Solids disposal costs vary primarily based on the treated flow amounts, the efficiency of the wastewater treatment plant digesters and the ability for the City of Paducah's composting facility to efficiently handle the Paducah wastewater treatment plant's fully digested sludge inventory. We anticipate costs associated with odor control to potentially increase significantly due to public perception and tolerance.

In times of low composting material (i.e. branches, leaves, sticks, etc.), composting material breakdown, and other delays, the JSA is forced to landfill sludge at higher costs. For the last few years, JSA has experienced higher costs associated with sludge disposal as JSA was forced to send large amounts of sludge to the landfill, in lieu of composting. For FY 2023, costs related to disposal increased slightly over the prior year with an increase of 3.6%.

The largest component of utilities expense is electricity costs. Electricity costs vary from year-to- year based on flows received and pumped. JSA has experienced higher loadings at its Paducah Wastewater Treatment Plant from certain industrial dischargers, which require more electricity to provide for adequate treatment. JSA recoups these costs through surcharges to industrial users. Additionally, electrical costs can vary based on wet weather.

Materials, supplies and repairs are ordinary and necessary costs incurred to keep the sewer utility process, as well as JSA buildings and grounds, in good working order. This account showed a $97 thousand increase from the prior fiscal year. Repair costs vary significantly based on the type, equipment, and location of the work.

The largest component of the material, supplies and repairs category is repairs, which includes collection system point repairs, pump rebuilds, and plant equipment repairs. Contract labor is sometimes used for these repairs and is charged to this category, while internal labor for repair work is expensed to salaries and wages. Expenses are categorized

using the three main components of a sewer system: pipes, pumps and motors. Expenses increased in FY 2023 compared to the prior fiscal year. Repairs were made as follows:

EXHIBIT 4: Repairs by Department (in thousands)

Department	06/30/23	06/30/22	Dollar Change	Percent Change
Collection System (pipes)	$111	$104	$7	6.7%
Lift Stations (pipes & pumps)	82	46	36	78.3%
Treatment Plants (pipes, pumps & motors)	52	76	(24)	-31.6%
Total	$245	$226	$19	8.4%

Fleet expense increased $8 thousand or 5.4%, over the prior fiscal year. The JSA maintains a vehicle replacement program to cull the aging fleet and attempt to minimize extensive repair costs.

FY 2023 professional fees were $31 thousand less than in FY 2022. This account consists of legal and accounting fees, as well as contractual services, containing certain engineering fees and software contractual services. Contractual services were the primary decrease for FY 2023. In total, professional fees were $31 thousand under budget.

Paducah Water provides billing and collection services for the JSA. Bad debt write-offs finished lower than expected at $28 thousand, or $20 thousand below budget.

All other expenses totaled $247 thousand for FY 2023 and included costs for insurance, training and safety, office expense, public education, board of directors' expense and miscellaneous expense. The budget for all other expenses was $235 thousand.

Debt Service Coverage

Debt service coverage (DSC) ratio is an indicator of the JSA's ability to meet its debt obligations. The JSA Board strives to maintain a minimum DSC ratio of 1.30 times the required debt service payments. For purposes of this calculation, gross revenues include investment income, grant revenues and connection fees, and expenses exclude the deduction for depreciation. The JSA has continued to exceed the minimum DSC ratio set by the board. The Agency's DSC ratio was 2.56 in 2023 and 2.22 in 2022.

Relevant Current Economic Factors and Other Significant Matters

JSA had begun to see an increase in interest rates, after several years of nearly zero returns. This income will continue to fluctuate with adjustments in rates, due to the nature of JSA's investments. Towards the end of FY 2020, rates once again dropped to near zero and remained low through FY 2022. During FY 2023, interest rates steadily increased resulting in an increase in investment income by $324 thousand during FY 2023.

JSA entered into a Consent Judgment with the Kentucky Environmental and Public Protection Cabinet and the Environmental Protection Agency in September 2007 to bring combined and sanitary sewer overflows into compliance with Federal and State guidelines. The Agency's Long-Term Control Plan (LTCP), a planning document mandated by the Consent Judgment, was approved on October 10, 2016. This LTCP requires compliance within the combined sewers, sewers carrying both storm and sanitary flow, to be completed over a twenty-two year timeframe. The cost to bring the combined system into compliance, as outlined in the LTCP, is $102 million. This amount does not take into consideration any other capital projects JSA will have to fund over the next twenty-two years. In September of 2021, JSA entered into an Agreed Order (DOW-18-3-0137) related to necessary upgrades at the Woodlawn Wastewater Treatment Plant. JSA had developed a Corrective Action Plan (CAP) which outlines approximately $8 million worth of necessary improvements. The Kentucky Division of Water approved the CAP on May 3, 2022 and JSA is currently in progress of revising the 201 Facility Plan for the system.

As a result of these and other required capital expenditures, future rate increases will be necessary. JSA implemented a revision of rates effective March 1, 2016, and July 1, 2017. On July 1, 2019, JSA implemented a 2% Consumer Price Index – Urban (CPI-U) rate adjustment. JSA has built-in the ability to adjust rates by the CPI-U for subsequent years. The agency did not elect to implement a CPI-U increase in July 2020 due to the COVID-19 pandemic. On July 1, 2021, JSA implemented a 4.2% Consumer Price Index – Urban (CPI-U) rate adjustment. On July 1, 2023 and July 1, 2022, respectively, JSA implemented 3% and 4% Consumer Price Index – Urban (CPI-U) rate adjustments. The JSA strives to utilize sound business principals while meeting the needs of the community and maintaining environmental compliance with Federal, State and local regulations.

The JSA will continue to pursue alternative means of funding in the form of grants and low-interest loans to aid in the funding of the Agency's capital expenditures. The JSA has been successful in securing $17.9 million in grants from the KIA and the United States Department of Agriculture Rural Development since FY 2005. The Agency was awarded and expended a Delta Regional Authority grant totaling $100 thousand during FY 2013 and an Economic Development Authority Grant totaling $315 thousand in FY 2015. These funds have been expended on projects relating to expansion of the collection system, maximization of flow at Paducah's wastewater treatment plant, the separation of flow from JSA's combined sewer system, various compliance related planning documents, and the Massac Creek Interceptor Project, thus reducing the burden of these projects on JSA ratepayers. During FY 2023, JSA was awarded a $1.75 million grant (with JSA providing additional $250,000) to be used toward the construction of a sewer line to Barkley Reginal Airport.

Requests for Additional Information

This report is intended to provide readers with a general overview of the JSA's finances and to show the JSA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the JSA at 621 Northview Street, Paducah, KY 42001 or (270) 575-0056.

BASIC FINANCIAL STATEMENTS

PADUCAH MCCRACKEN JOINT SEWER AGENCY
STATEMENTS OF NET POSITION
JUNE 30

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	$ 3,733,123	$ 5,141,285
Investments and accrued interest	11,244,874	9,130,443
Customer accounts receivable	522,707	503,899
Grants and other receivables	57,765	50,047
Lease receivable	2,264	2,223
Accrued unbilled revenue	874,000	843,000
Inventories and prepaid expenses	406,351	364,708
Total current assets	16,841,084	16,035,605
Non-Current Assets:		
Utility plant and capital assets, net	85,124,384	84,299,462
Leased assets, net	257,531	265,462
Investments	2,278,920	-
Restricted assets and investments	1,569,094	1,534,604
Lease receivable	4,853	7,117
Bond discount - net	16,933	21,153
Other non-current assets	-	-
Total non-current assets	89,251,715	86,127,798
TOTAL ASSETS	106,092,799	102,163,403

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension plan outflows	965,208	663,581
Deferred other postemployment benefit plan outflows	603,314	688,841
Total deferred outflows of resources	1,568,522	1,352,422

LIABILITIES

Current Liabilities:		
Notes and bonds payable	1,861,561	1,865,216
Leases payable	4,311	3,969
Accounts payable	775,284	1,263,827
Salaries and benefits payable	86,320	89,053
Other current liabilities	81,817	89,276
Total current liabilities	2,809,293	3,311,341
Non-Current Liabilities:		
Notes and bonds payable	30,330,526	29,072,841
Leases payable	355,437	359,749
Net pension liability	4,018,753	3,761,649
Net other postemployment benefit plan liability	1,096,918	1,129,238
Total non-current liabilities	35,801,634	34,323,477
TOTAL LIABILITIES	38,610,927	37,634,818

DEFERRED INFLOWS OF RESOURCES

Deferred lease inflows	7,117	9,340
Deferred pension plan inflows	630,303	698,855
Deferred other postemployment benefit plan inflows	638,939	615,639
Total deferred inflows of resources	1,276,359	1,323,834

NET POSITION

Invested in capital assets, net of related debt	52,932,297	53,361,405
Restricted for debt service	1,569,094	1,534,604
Unrestricted - net assets	13,272,644	9,661,164
TOTAL NET POSITION	$ 67,774,035	$ 64,557,173

The notes to financial statements are an integral part of this statement.

PADUCAH MCCRACKEN JOINT SEWER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30

	2023	2022
Operating Revenues:		
Charges for services	$10,470,437	$ 9,921,456
Operating Expenses:		
Salaries, wages and benefits	2,496,413	2,492,825
Chemicals, testing and solids disposal	431,156	387,379
Utilities	919,817	933,955
Materials, supplies and repairs	499,316	401,781
Fleet expense	154,869	146,907
Liability insurance	133,761	126,395
Training, safety and dues	45,874	33,871
Professional fees	71,353	102,383
Office expense	32,070	17,818
Public education	2,429	2,220
Billing and collections	163,692	153,278
Bad debts	28,369	23,122
Board of directors expense	15,000	16,800
Miscellaneous	17,965	16,673
Amortization	7,931	7,931
Depreciation	2,868,572	2,893,071
Total operating expenses	7,888,587	7,756,409
Operating income	2,581,850	2,165,047
Non-Operating Revenues (Expenses):		
Investment revenue	413,439	88,870
Gain on sale of assets	17,500	104,135
Interest expense	(561,727)	(633,520)
Amortization	(4,220)	(4,576)
Tap-on and assessment fees	229,076	187,515
Other, net	(88,928)	(72,064)
Total non-operating revenues (expenses), net	5,140	(329,640)
Change in net position before capital contributions	2,586,990	1,835,407
Capital Contributions:		
Grant revenue	123,772	1,500
Contributions from developers	506,100	174,000
Total capital contributions	629,872	175,500
Change in net position	3,216,862	2,010,907
Net position, beginning	64,557,173	62,546,266
NET POSITION, ENDING	$67,774,035	$64,557,173

The notes to financial statements are an integral part of this statement.

PADUCAH MCCRACKEN JOINT SEWER AGENCY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	2023	2022
Cash Flows from Operating Activities:		
Collections from customers	$10,385,278	$ 9,859,301
Cash paid to suppliers	(2,739,710)	(2,082,652)
Cash paid to employees	(2,536,450)	(2,409,653)
Net cash provided by operating activities	5,109,118	5,366,996
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	6,612,704	4,254,798
Purchases of investments	(11,022,656)	(4,045,084)
Investment earnings	395,550	92,169
Net cash provided (used) by investing activities	(4,014,402)	301,883
Cash Flows from Capital and Related Financing Activities:		
Grants and contributed capital	123,772	1,500
Tap-on fees and assessments	229,076	187,515
Acquisition of capital assets	(3,478,151)	(7,608,662)
Proceeds from sale of assets	26,900	115,850
Proceeds from debt issues	3,120,246	6,148,904
Principal payments on long-term debt	(1,866,216)	(5,491,458)
Interest payments on long-term debt	(569,577)	(683,067)
Other, net	(88,928)	(68,665)
Net cash used in capital and related financing activities	(2,502,878)	(7,398,083)
Net decrease in cash and cash equivalents	(1,408,162)	(1,729,204)
Cash and cash equivalents, beginning of year	5,141,285	6,870,489
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,733,123	$ 5,141,285
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 2,581,850	$ 2,165,047
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	7,931	7,931
Depreciation	2,868,572	2,893,071
Changes in operating assets and liabilities:		
Accounts receivable	(26,526)	(15,755)
Accrued unbilled revenue	(31,000)	(23,000)
Inventory and prepaid expenses	(41,643)	9,599
Deferred outflows of resources	(216,100)	219,342
Accounts payable	(207,186)	266,015
Lease payable	(3,970)	(3,643)
Salaries and benefits payable	(2,733)	16,032
Other current liabilities	391	(15,163)
Net pension liability	224,784	(989,544)
Deferred inflows of resources	(45,252)	837,064
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,109,118	$ 5,366,996

The notes to financial statements are an integral part of this statement.

Note A - Summary of Significant Accounting Policies:

Reporting Entity

The Paducah McCracken Joint Sewer Agency, the "Agency", was established pursuant to Chapter 76 of the Kentucky Revised Statutes. The Agency provides wastewater services to the residents of the City of Paducah and McCracken County, Kentucky. The Agency was established by merging the City of Paducah Wastewater Enterprise Fund with three sewer districts of McCracken County. Substantially all of the assets and liabilities of the separate component entities were contributed to create the Paducah McCracken Joint Sewer Agency effective July 1, 1999.

The significant accounting policies, as summarized below, are in conformity with generally accepted accounting principles as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

Accounting Method

The Agency maintains its books and these financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period incurred.

The financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with ongoing operations. The principal operating revenues of the Agency are charges for sewer service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, "cash and cash equivalents" includes unrestricted demand accounts, savings accounts, and certificates of deposits maturing within 90 days of the year end of the Agency.

Accounts Receivable and Bad Debts

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice mailing date. Customer account balances with invoices dated over 30 days old are considered delinquent. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

No allowance for doubtful accounts has been provided since it is believed the balance in accounts receivable is fully collectible. Overdue accounts are monitored and written off as necessary. The effect of using this method is not significantly different from results which would be obtained by using the allowance method.

Accrued Unbilled Revenue

Accrued unbilled revenue represents the portion of sewer service provided that was unbilled as of the end of the year.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued):

Inventories

Materials and supplies are carried in an inventory account at cost and are subsequently capitalized or charged to expense when consumed utilizing the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are recorded at cost; donated assets are stated at fair value on the date donated. The Agency generally does not capitalize assets with costs less than $1,000. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Depreciation is provided by the straight-line method over the estimated useful lives of the various classes of assets as follows:

	Years
Utility plant	20-60
Vehicles	5- 7
General plant and office equipment	3-10

Capital Contributions

Capital contributions are derived from two main sources: 1) developers, when they construct and pay for sewer lines and then donate these additions to the Agency; and 2) other governments, in the form of grants or contributions of capital assets. Developer contributions are recorded at fair value when the property is transferred to the Agency and are depreciated over their estimated useful lives using the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions and Postemployment Benefits Other Than Pension

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

Reclassifications

Certain reclassifications have been made to the June 30, 2022, financial statements to make them conform to the June 30, 2023 presentation.

Note B - Restricted Assets and Investments:

Restricted assets and investments consist of certificates of deposit and other securities, which have been set aside for the repayment of bonds and notes, for maintenance reserves as required, and for ongoing capital projects. These balances are classified as restricted assets on the statements of net position because their use is limited by applicable bond ordinances and loan agreements.

(Continued)

Note B - Restricted Assets and Investments (Continued):

At June 30, these restricted funds were comprised of the following investments:

	2023	2022
Certificates of deposit - various financial institutions	$1,028,782	$1,009,153
U.S. Government money market funds	540,312	525,451
TOTALS	$1,569,094	$1,534,604

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Note C - Deposits and Investments with Financial Institutions:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be returned or the Agency will not be able to recover collateral securities in the possession of an outside party. The Agency's investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the Agency maintains collateral agreements with its financial institutions, whereby deposits are secured with collateral valued at market value. The Board of Directors has authorized the Executive Director to utilize depository institutions located within McCracken County, which have been evaluated by the Board and/or Executive Director and Finance Director.

As of June 30, 2023 and 2022, the bank balance of cash and investments included $7,162,080 and $5,017,065, respectively, that was not covered by FDIC insurance and subject to custodial credit risk. Of the balances as of June 30, 2023 and 2022, $7,162,080 and $5,017,065, respectively, were uninsured and collateralized with securities held by the pledging bank's agent not in the Agency's name and there were no amounts that were uninsured and uncollateralized as of June 30, 2023 and 2022.

The Agency's unrestricted cash and investments are reported at quoted market price. At June 30, the Agency's unrestricted cash and investments, including accrued interest, consisted of the following:

	2023	2022
Cash and cash equivalents – various financial institutions	$ 3,733,123	$ 5,141,285
Certificates of deposit with maturities greater than 90 days of the year end - various financial institutions	11,517,830	9,130,443
Obligations of U.S. Treasury	2,005,964	-
TOTALS	$ 17,256,917	$ 14,271,728

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Agency's investing activities are managed under the direction of the Executive Director and Finance Director. Investing is performed in accordance with investment policies adopted by the Board of Directors complying with state statutes. The state statutes authorize the Agency to invest in direct obligations of the United States Government, obligations backed by the full faith and credit of the United States Government, certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investments are insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local Government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.

(Continued)

Note D - Lease Receivable and Deferred Lease Inflows:

As of January 1, 2022, the Agency entered into a five year lease agreement expiring December 10, 2026. Per the terms of the agreement, the Agency is leasing a parcel of farm land to a local farmer in exchange for annual rental payments in the amount of $2,600. For the year ended June 30, 2023 and 2022, the Agency recognized lease revenue in the amount of $2,223 and $2,554, with interest income in the amount of $377 and $46, respectively. Income from the lease is reported as other non-operating revenues. The remaining lease receivable in the amount of $7,117 and $9,340 as of June 30, 2023 and 2022, respectively, is reported on the statements of net position as both an asset and a deferred inflow of resources in accordance with GASB Statement No. 87.

Note E - Construction in Progress:

The Agency had the following projects in process at June 30:

	2023	2022
Chickadee Lift Station Elimination Project	$ 11,368	$ 11,368
Harrison Street PS Renovation / Collection System Upgrade	9,769	9,769
Video Contract CY' 2022	217,284	-
LTCP Phase II - Screening and Discharge	368,846	15,310
LTCP Combined Sewer Diversion Structure and Pumping Station	6,869,246	6,419,589
Facilities 201 Plan	141,600	-
Rehab Contract CY' 2021	-	739,009
Triple Rail Site	20,581	17,088
New Sludge Building & Digester Refurbishment	34,177	296
Span Lane Wet Well	65,500	65,500
Man Hole Rehab Contract	-	12,672
Highway 60 Sewer Extension	62,481	20,662
Nolan Drive LS Force Main	219	267,993
Rehab Contract CY' 2022	1,089,777	30,213
Quail Run Force Main	13,585	13,585
Woodlawn WWTP	33,451	22,701
Manhole Rehab Contract CY' 2022	1,851	-
Blankenship Road Extension	11,062	-
Hydraulic Model Update	9,975	-
Rehab Contract CY' 2023	29,355	-
616 Northview	1,425	-
Manhole Rehab Contract CY' 2023	282	-
Video Contract CY' 2023	10,250	-
Happy Hollow PS	11,422	11,422
TOTALS	$9,013,506	$7,657,177

Construction in progress related invoices of $442,317 and $723,674 were included in accounts payable at June 30, 2023 and 2022, respectively.

(Continued)

Note F - Capital Assets:

Capital assets consists of the following at June 30:

	2023			
	Balance as of June 30, 2022	**Increases**	**Decreases**	**Balance as of June 30, 2023**
Capital assets, not being depreciated:				
Land	$ 1,645,550	$ -	$ -	$ 1,645,550
Construction in progress	7,657,177	2,970,811	1,614,482	9,013,506
Total capital assets not being depreciated	9,302,727	2,970,811	1,614,482	10,659,056
Capital assets, being depreciated:				
Utility assets (pipes, pumps, plants, structures)	120,722,638	2,188,445	53,719	122,857,364
Vehicles	1,591,483	-	16,667	1,574,816
General plant and office furniture	4,707,992	158,121	41,377	4,824,736
Totals at historical cost	127,022,113	2,346,566	111,763	129,256,916
Less accumulated depreciation:				
Utility assets	47,250,679	2,612,600	44,319	49,818,960
General plant and office furniture	3,263,361	221,711	41,376	3,443,696
Vehicles	1,511,338	34,261	16,667	1,528,932
Total accumulated depreciation	52,025,378	2,868,572	102,362	54,791,588
Total capital assets, being depreciated, net	74,996,735	(522,006)	9,401	74,465,328
TOTAL SYSTEM CAPITAL ASSETS - NET	$ 84,299,462	$ 2,448,805	$ 1,623,883	$ 85,124,384

	2022			
	Balance as of June 30, 2021	**Increases**	**Decreases**	**Balance as of June 30, 2022**
Capital assets, not being depreciated:				
Land	$ 1,349,455	$ 307,811	$ 11,716	$ 1,645,550
Construction in progress	7,471,146	7,311,647	7,125,616	7,657,177
Total capital assets not being depreciated	8,820,601	7,619,458	7,137,332	9,302,727
Capital assets, being depreciated:				
Utility assets (pipes, pumps, plants, structures)	113,893,923	6,828,715	-	120,722,638
Vehicles	1,591,483	-	-	1,591,483
General plant and office furniture	4,452,273	259,167	3,448	4,707,992
Totals at historical cost	119,937,679	7,087,882	3,448	127,022,113

(Continued)

Note F - Capital Assets (Continued):

	2022			
	Balance as of June 30, 2021	Increases	Decreases	Balance as of June 30, 2022
Less accumulated depreciation:				
Utility assets	$ 44,616,739	$ 2,633,940	$ -	$ 47,250,679
General plant and office furniture	3,058,038	208,771	3,448	3,263,361
Vehicles	1,460,978	50,360	-	1,511,338
Total accumulated depreciation	49,135,755	2,893,071	3,448	52,025,378
Total capital assets, being depreciated, net	70,801,924	4,194,811	-	74,996,735
TOTAL SYSTEM CAPITAL ASSETS - NET	$ 79,622,525	$ 11,814,269	$ 7,137,332	$ 84,299,462

Note G - Leased Assets:

Leased assets consists of the following at June 30:

	2023			
	Balance as of June 30, 2022	Increases	Decreases	Balance as of June 30, 2023
Leased land rights	$ 396,563	$ -	$ -	$ 396,563
Accumulated amortization	131,101	7,931	-	139,032
TOTAL LEASED ASSETS, NET	$ 265,462	$ 7,931	$ -	$ 257,531

	2022			
	Balance as of June 30, 2021	Increases	Decreases	Balance as of June 30, 2022
Leased land rights	$ 396,563	$ -	$ -	$ 396,563
Accumulated amortization	123,170	7,931	-	131,101
TOTAL LEASED ASSETS, NET	$ 273,393	$ 7,931	$ -	$ 265,462

Note H - Notes and Bonds Payable:

Notes and bonds payable consists of the following:

	2023	2022
Notes Payable:		
Kentucky Infrastructure Authority	$29,892,087	$28,383,057
Bonds Payable:		
Sewer Revenue Refunding Bonds, Series 2014	2,300,000	2,555,000
	32,192,087	30,938,057
Less current maturities	1,861,561	1,865,216
TOTALS	$30,330,526	$29,072,841

During the year ended June 30, 2023, the Agency drew an additional $3,120,246 on an existing note payable to Kentucky Infrastructure Authority.

(Continued)

Note H - Notes and Bonds Payable (Continued):

During the year ended June 30, 2022, the Agency made final draws totaling $254,193 and $2,468,309 on two notes payable to Kentucky Infrastructure Authority. In the year ended June 30, 2022, the Agency also made the first draw totaling $3,426,402 on a new note payable to Kentucky Infrastructure Authority.

Debt service requirements on notes payable at June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Service Fee	Total
2024	$ 1,601,561	$ 460,626	$ 48,845	$ 2,111,032
2025	1,896,306	433,367	45,791	2,375,464
2026	1,876,196	403,251	42,580	2,322,027
2027	1,838,331	373,139	39,219	2,250,689
2028	1,868,479	342,991	36,003	2,247,473
2029-2033	9,454,173	1,249,265	130,951	10,834,389
2034-2038	7,122,802	538,308	56,596	7,717,706
2039-2043	4,234,239	103,724	10,428	4,348,391
TOTALS	$29,892,087	$ 3,904,671	$ 410,413	$34,207,171

Debt service requirements on bonds payable at June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Service Fee	Total
2024	$ 260,000	$ 67,700	$ -	$ 327,700
2025	270,000	61,200	-	331,200
2026	280,000	53,100	-	333,100
2027	285,000	44,700	-	329,700
2028	290,000	36,150	-	326,150
2029-2032	915,000	55,500	-	970,500
TOTALS	$ 2,300,000	$ 318,350	$ -	$ 2,618,350

Notes payable are secured by capital assets and restricted funds. At June 30, 2023, the above notes are payable to Kentucky Infrastructure Authority and are payable in semi-annual installments, including interest ranging from .5% to 2.00%. These agreements provide capital project funding utilizing a combination of both long-term borrowing and federal stimulus grant funds from the American Recovery and Reinvestment Act. There are no terms specified in the debt agreements as to significant events of default or termination events with finance-related consequences. There are no acceleration clauses.

During the year ended June 30, 2013, the Agency formally issued Sewer Revenue Bonds, Series 2012, in the amount of $4,324,000 with the first principal payment due January 1, 2014. The interest rate on the bond is 2.75%, and the bonds require annual principal payments and semi-annual interest payments through 2051. Proceeds from the bonds, which mature January 1, 2051, were used to repay the Rural Water note. During the year ended June 30, 2022, the Agency paid off remaining balance due on the Series 2012 bonds.

During the year ended June 30, 2015, the Agency formally issued Sewer Revenue Refunding Bonds, Series 2014, in the amount of $4,220,000 with the first principal payment due January 1, 2016. The interest rate on the bond is variable between 1.75% and 3.00%, and the bonds require annual principal payments and semi-annual interest payments through 2031. Proceeds from the bonds, which mature January 1, 2031, were used to repay the Series 2010 (Build America Bonds) Taxable Sewer Revenue Bonds.

(Continued)

Note H - Notes and Bonds Payable (Continued):

Notes and bonds payable activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities:					
Bonds payable	$ 2,555,000	$ -	$ 255,000	$ 2,300,000	$ 260,000
Notes payable	28,383,057	3,120,246	1,611,216	29,892,087	1,601,561
TOTAL LONG-TERM LIABILITIES	$30,938,057	$ 3,120,246	$ 1,866,216	$32,192,087	$ 1,861,561

Note I - Leases Payable:

The Agency has multiple contracts with the local railroad company for the right to bury underground utilities on specific tracks of railroad property. The land right contracts call for specified annual rent payments to be made by the Agency during the life of the contracts, and each contract has an escalating rent clause. Each land right contract has an embedded interest rate which varies from contract to contract with the lowest contracted rate being 0.20% and the highest rate being 1.72%. For the land right contracts meeting the GASB Statement No. 87 definition of a long term lease, the Agency has recorded the leases payable liability.

As of June 30, the leases payable were:

	2023	2022
Leases payable	$ 359,748	363,718
Less current maturities	4,311	3,969
TOTALS	$ 355,437	$ 359,749

The long term leases required lease payments at June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 4,311	$ 5,180	$ 9,491
2025	4,669	5,131	9,800
2026	5,044	5,079	10,123
2027	5,436	5,021	10,457
2028	5,847	4,960	10,807
2029-2033	33,196	23,727	56,923
2034-2038	41,197	21,611	62,808
2039-2043	42,632	18,869	61,501
2044-2048	55,375	15,342	70,717
2049-2054	70,696	10,826	81,522
2055-2058	72,777	5,264	78,041
2059-2063	18,568	361	18,929
TOTALS	$ 359,748	$ 121,371	$ 481,119

Note J - Contributed Capital:

For the years ended June 30, 2023 and 2022, the Agency accepted $506,100 and $174,000, respectively, of sewer line extensions and a new lift station that were placed into service during the respective years by developers in McCracken County, Kentucky.

(Continued)

Note K - Disclosures Regarding Statements of Cash Flows:

Non-Cash Investing and Financing

Non-cash investing and financing transactions received during the years ended June 30 were as follows:	2023	2022
Developer contributions	$506,100	$174,000

Note L - Risk Management:

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. To handle the risk of loss, the Agency participates in a public entity risk pool offered to the members of the Kentucky Municipal Risk Management Association. Participating members pool their funds in order to provide self-insurance, and, when necessary, third-party insurance, against various public liability exposure.

The Agency is responsible for paying annual and supplementary contributions which are determined by the Board that governs the operation of the pool. The contributions are calculated based on actuarial evaluations, ratings plans, and other analyses of the amounts necessary for the payment of claims and losses.

In exchange, the Agency is provided with payment of all claims and losses incurred, subject to certain terms and conditions such as deductibles and coverage limits. Due to the nature of the public entity risk pool established within this policy, the Agency can receive a distribution of surplus funds in the event of excess pool assets or be assessed in the event of pool shortfalls.

Note M - Employee Retirement System:

County Employees' Retirement System Pension Fund

Plan description and benefits provided. Employees of Paducah McCracken Joint Sewer Agency participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer, defined benefit pension plan, which is administered by the Kentucky Public Pension Authority (KPPA). The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any other eligible local agencies electing to participate. The Agency does not have any employees participating in hazardous duty positions. CERS provides for retirement, disability, and death benefits to plan members as well as disability to members other than those in the third tier. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments (COLA) are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Section 61.645, the Board of Trustees of KPPA provides for the establishment of the system and benefit amendments are authorized by the State legislature. The KPPA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing or calling the plan:

Kentucky Public Pension Authority
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
(502) 564-4646

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Pension Fund (Continued)

The CERS also provides other post-employment benefits through the KPPA Insurance Fund (Insurance Fund), which was established to provide hospital and medical insurance for members receiving benefits from CERS. The Insurance Fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the KPPA. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the Insurance Fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the Insurance Fund and the pension plan. Information regarding the Insurance Fund is contained in the financial statements of the KPPA.

Funding policy. Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008, are required to contribute 5.00% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 and before January 1, 2014, are required to contribute an additional 1.00% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan, which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rate for non-hazardous plan members was 26.79% for the year ended June 30, 2023. The required contribution rate for fiscal year ending June 30, 2022, was 26.95%. The contribution rate is a combined rate for both the pension plan and the Insurance Fund. For the fiscal year ended June 30, 2023, the pension plan portion was 23.40% and the Insurance Fund portion was 3.39%. The percentages were 22.78% and 4.17% for the fiscal year ended June 30, 2022.

The employer pension contributions for fiscal years ended June 30, 2023 and 2022, were $386,026 and $350,181, respectively. The employer insurance contributions (excluding the implicit subsidy) for fiscal years ended June 30, 2023 and 2022, were $55,924 and $64,103, respectively. The actuarially determined contribution requirements of plan members and the Agency are established and may be amended by the KPPA Board of Trustees.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. The Agency reported a liability of $4,018,753 and $3,761,649 at June 30, 2023 and 2022, respectively, for its proportionate share of the net pension liability. The June 30, 2023 total pension liability was rolled-forward from the actuarial valuation date of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. The June 30, 2022 total pension liability was rolled-forward from the actuarial valuation date of June 30, 2020, to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The Agency's proportion of the net pension liability was based on a projection of the Agency's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2023 and 2022, the Agency's proportion was 0.055592% and 0.058999%.

As a result of its requirement to contribute to CERS, the Agency recognized pension expense of $297,701 and $377,699 for the years ended June 30, 2023 and 2022, respectively.

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Pension Fund (Continued)

At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$546,832	$443,806
Difference between expected and actual experience	4,297	35,789
Changes of assumptions	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	28,053	150,708
Contributions subsequent to the measurement date	386,026	-
TOTALS	$965,208	$630,303

At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$145,927	$647,292
Difference between expected and actual experience	43,195	36,509
Changes of assumptions	50,486	-
Change in proportion and differences between employer contributions and proportionate share of contributions	98,541	15,054
Contributions subsequent to the measurement date	325,432	-
TOTALS	$663,581	$698,855

Deferred outflows of resources in the amount of $386,026 related to pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2024	$ (60,883)
2025	(70,631)
2026	(33,771)
2027	114,164

The net pension liability as of June 30, 2023, is based on the June 30, 2021 actuarial valuation as rolled-forward to the plan's fiscal year end June 30, 2022, using generally accepted actuarial principles. The net pension liability as of June 30, 2022, is based on the June 30, 2020 actuarial valuation as rolled-forward to the plan's fiscal year end June 30, 2021, using generally accepted actuarial principles. Deferred outflows and inflows related to the net difference between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (2.90 years and 3.07 years for June 30, 2022 and June 30, 2021, respectively).

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Pension Fund (Continued)

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2022, was based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021), to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2021), but prior to the measurement date, the KPPA Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2022 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return, net of pension plan investment expense, including inflation	6.25%
Payroll growth rate	2.00%

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.30%
Salary increases, average including inflation	3.30% to 10.30%, varies by service
Investment rate of return, net of pension plan investment expense, including inflation	6.25%
Payroll growth rate	2.00%

For the June 30, 2022 actuarial calculations, the following tables were used. The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 improvement scale using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality table, with a four-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2021 actuarial calculations, the following tables were used. The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 improvement scale using a base year of 2020. For disabled members, the PUB-2010 Disabled Mortality table, with a four-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying member who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2022, is determined using these updated benefit provisions.

The long-term expected rate of return on plan assets was determined by using a building block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. For the June 30, 2022 actuarial calculation, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Pension Fund (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15 %
Specialty Credit/High Yield	10.00%	2.28 %
Core Bonds	10.00%	0.28%
Cash	0.00%	(0.91)%
Real Estate	7.00%	3.67 %
Real Return	13.00%	4.07 %
Total	100.00%	

For the June 30, 2021 actuarial calculation, the target allocation and best estimates of arithmetic nominal 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
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35 %
Private Equity	10.00%	9.70 %
Specialty Credit/High Yield	15.00%	2.80 %
Core Bonds	10.00%	(0.00)%
Cash	1.50%	(0.60)%
Real Estate	10.00%	5.40 %
Real Return	10.00%	4.55 %
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 30 year (closed) amortization period of the unfunded actuarial accrued liability. The projection of cash flows includes an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming the entire actuarially determined employer contribution is received by the plan each future year, calculated in accordance with the current funding policy. This includes the phase-in provisions from House Bill 362 as well as the provisions which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the close payroll for existing members.

Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate. The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1.00% Decrease 5.25%	Current Discount Rate 6.25%	1.00% Increase 7.25%
The Agency's proportionate share of the net pension liability	$5,022,943	$4,018,753	$3,188,205

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Pension Fund (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPPA financial report.

Payables to the pension plan. At June 30, 2023 and 2022, the financial statements include no payables to CERS. These are legally required contributions to the plan. These amounts are not accounted for in the net pension liability.

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. The Agency reported a liability of $1,096,918 and $1,129,238 at June 30, 2023 and 2022, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability at June 30, 2023 and 2022, was measured as of June 30, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and 2020, respectively. For the June 30, 2022 measurement, the total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. For the June 30, 2021 measurement, the total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2020, to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The Agency's proportion of the net OPEB liability was based on a projection of their share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2023 and 2022, the Agency's proportion was 0.055582% and 0.058985%.

The fully-insured premiums KPPA pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the Agency recognized OPEB expenses of $145,555 and $139,444 for the years ended June 30, 2023 and 2022.

At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	$204,257	$159,736
Difference between expected and actual experience	110,414	251,549
Changes of assumptions	173,485	142,951
Change in proportion and differences between employer contributions and proportionate share of contributions	19,686	84,703
Contributions subsequent to the measurement date	95,472	-
TOTALS	$603,314	$638,939

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	$ 56,894	$233,548
Difference between expected and actual experience	177,573	337,153
Changes of assumptions	299,383	1,050
Change in proportion and differences between employer contributions and proportionate share of contributions	28,983	43,888
Contributions subsequent to the measurement date	126,008	-
TOTALS	$688,841	$615,639

Deferred outflows of resources related to OPEB, in the amount of $95,472 related to OPEB resulting from the Agency's contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2024	$ (22,814)
2025	(20,529)
2026	(80,790)
2027	(6,964)
2028	-

The net OPEB liability as of June 30, 2023, is based on the June 30, 2021 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2022, using generally accepted actuarial principles. The net OPEB liability as of June 30, 2022, is based on the June 30, 2020 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021, using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (4.82 years and 4.92 years for June 30, 2022 and June 30, 2021, respectively).

Actuarial assumptions. The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2022, was based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. Subsequent to the actuarial valuation date of June 30, 2021, but prior to the measurement date, the KPPA Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2022 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return, net of OPEB plan investment expense, including inflation	6.25%
Payroll growth rate	2.00%
Municipal bond index rate	
Prior measurement date	1.92%
Measurement date	3.69%
Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation	
Prior measurement date	5.20%
Measurement date	5.70%

Healthcare cost trend rates - Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend rate starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Post-65).

The following updated actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return, net of OPEB plan investment expense, including inflation	6.25%
Payroll growth rate	2.00%
Municipal bond index rate	
Prior measurement date	2.45%
Measurement date	1.92%
Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation	
Prior measurement date	5.34%
Measurement date	5.20%

Healthcare cost trend rates - 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 14 years (Pre-65). Initial trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Post-65).

For the June 30, 2022 actuarial calculations, the following tables were used. The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 improvement scale using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality table, with a four-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

For the June 30, 2021 actuarial calculations, the following tables were used. The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 improvement scale using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality table, with a four-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Senate Bill 209 increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees when the member's applicable insurance fund is at least 90% funded. This is effective January 1, 2023. The bill allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The long-term expected rate of return on plan assets was determined by using a building block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. For the June 30, 2022 actuarial calculation, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45 %
Private Equity	10.00%	10.15 %
Specialty Credit/High Yield	10.00%	2.28 %
Core Bonds	10.00%	0.28 %
Cash	0.00%	(0.91)%
Real Estate	7.00%	3.67 %
Real Return	13.00%	4.07 %
Total	100.00%	

For the June 30, 2021 actuarial calculation, the target allocation and best estimates of arithmetic nominal 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
US Equity	21.75%	5.70 %
Non-US Equity	21.75%	6.35 %
Private Equity	10.00%	9.70 %
Specialty Credit/High Yield	15.00%	2.80 %
Core Bonds	10.00%	(0.00)%
Cash	1.50%	(0.60)%
Real Estate	10.00%	5.40 %
Real Return	10.00%	4.55 %
Total	100.00%	

(Continued)

Note M - Employee Retirement System (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 5.70% and 5.20% at June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate each future year in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system; as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 75, the single equivalent interest rate at the measurement date of 6.25% was calculated using the Municipal Bond Index Rate as of the measurement date of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

Sensitivity of the Agency's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Agency's proportionate share of the net OPEB liability calculated using the discount rate of 5.70%, as well as what the Agency's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current discount rate:

	1.00% Decrease 4.70%	Current Discount Rate 5.70%	1.00% Increase 6.70%
The Agency's proportionate share of the net OPEB liability	$1,466,405	$1,096,918	$ 791,476

Sensitivity of the Agency's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the Agency's proportionate share of the net OPEB liability, as well as what the Agency's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Trend Rate	1.00% Increase
The Agency's proportionate share of the net OPEB liability	$ 815,534	$1,096,918	$1,434,807

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA financial report.

Payables to the OPEB plan. At June 30, 2023 and 2022, the financial statements include no payables to CERS. These are legally required contributions to the plan. These amounts are not accounted for in the net OPEB liability.

(Continued)

Note N - Deferred Compensation:

The Agency participates in the Kentucky Public Employees' Deferred Compensation Plan, a self-directed multi-employer 401(k) and 457(b) plan. Under the plan, employees may defer up to 25.00% of eligible compensation, not to exceed the statutory limits, currently $22,500.

The Agency made discretionary contributions to the 401(k) plan on behalf of the employees in an amount equal to 5.36% of eligible compensation through December 31, 2014. Beginning January 1, 2015, the Kentucky Public Employees Deferred Comp Plan stopped accepting employer contribution. At that time, the Agency elected to continue to make the 5.36% discretionary contribution to a new plan with Nationwide Financial Services. Participants are immediately vested in the employer contribution. Employer contributions for the years ended June 30, 2023 and 2022, were $85,824 and $82,921, respectively.

Note O - Commitments and Contingencies:

The Agency has entered into a Consent Decree with the Kentucky Environmental and Public Protection Cabinet. The Agency is required to bring combined and sanitary sewer overflows into compliance with Federal and State guidelines. The Agency is bound by the Decree for many years to come and will incur significant costs to bring the system into compliance. The total cost of complying with this Consent Decree is estimated at $102 million and is expected to be completed over the next 15 years.

The Agency has entered into a Consent Decree with the Kentucky Environmental and Public Protection Cabinet. The Agency is required to bring the Woodlawn waste water treatment plant into compliance with Federal and State guidelines. The Agency is bound by the Decree and will incur $3 to $4 million in costs to bring the treatment plant into compliance. The agency expects the required work to be completed over the next three years.

The following amounts represent either balances remaining on contracts or contracts signed in which no work had been performed at June 30, 2023.

Vendor	Project	Contract Total	Contract Cost-to-Date	Future Commitment
TyBe Company, LLC	LTCP Combined Sewer Diversion Structure and Pumping Station	$6,187,089	$6,165,430	$ 21,659
Hazen and Sawyer	2023 Sanitary Sewer CCTV	20,500	10,250	10,250
Strand Associates, Inc.	Woodlawn WWTP	20,000	16,503	3,497
Strand Associates, Inc.	201 Facility Plan	210,000	141,520	68,480
J.R. Wauford & Company	Combined Sewer Screening and Flow Management Facilities	471,000	353,250	117,750
J.R. Wauford & Company	LTCP Phase II - Screening and Discharge	45,000	40,500	4,500
Bacon Farmer Workman Engineering	Schematic Design	20,000	19,085	915
Bacon Farmer Workman Engineering	Highway 60 Sewer Extension	23,800	18,046	5,754
Bacon Farmer Workman Engineering	Blankenship Road Extension	18,500	11,061	7,439
Insituform Technologies	2022 Sanitary Sewer Rehabilitation	1,051,798	946,618	105,180
GRW	Hydraulic Model Update	19,180	9,975	9,205
Williams, Williams & Lentz, LLP	2023 Audit	22,500	-	22,500
		$8,109,367	$7,732,238	$ 377,129

(Continued)

Note P - Board Designated Funds:

It is the policy of the current Board of Directors to designate up to $135,000 annually for high dollar capital equipment purchases, for emergencies, or for rate stabilization in the event of a loss of a substantial revenue stream. The Board's intent is to establish a maximum funding level of $7 million and a minimum level of $750 thousand in this fund. Designations of amounts represent tentative management plans, but are subject to change. Board designated funds amounted to $7 million as of June 30, 2023 and $7 million as of June 30, 2022, and are included as part of the unrestricted net assets on the statements of net position.

Note Q - Interest Expense:

For the years ended June 30, 2023 and 2022, interest expense was $561,727 and $633,520, respectively.

Note R - Subsequent Events:

Management has evaluated subsequent events through October 3, 2023, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)
LAST NINE YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.055592%	0.0589990%	0.058315%	0.055946%	0.058451%	0.061135%	0.06150%	0.06322%	0.06460%
Employer's proportionate share of the net pension liability (asset)	4,018,753	$ 3,761,649	$ 4,472,712	$ 3,934,707	$ 3,559,844	$ 3,578,420	$ 3,028,183	$ 2,717,993	$ 2,096,632
Employer's covered payroll	1,537,231	$ 1,506,975	$ 1,493,700	$ 1,411,208	$ 1,445,142	$ 1,486,264	$ 1,465,240	$ 1,473,428	$ 1,482,568
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	261.43%	249.62%	299.44%	278.82%	246.33%	240.77%	206.67%	184.47%	141.42%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2023, is based on the June 30, 2021 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2022, using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2021
Experience study:	July 1, 2013 - June 30, 2018
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	30 years
Asset valuation method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 For healthy retired members and beneficiaries: 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 For disabled members: PUB-2010 Disability Mortality Table, with a four-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010
Changes of benefit terms and plan provisions:	None
Changes of assumptions:	None

NOTE: This schedule is based on the last measurement date of the net pension liability.

See accompanying notes to the basic financial statements

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)
LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 386,026	$ 350,181	$ 290,846	$ 288,284	$ 228,898	$ 209,257	$ 207,334	$ 181,983	$ 188,741	$ 203,705
Contributions in relation to the contractually required contribution	386,026	350,181	290,846	288,284	228,898	209,257	207,334	181,983	188,741	203,705
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,649,684	$ 1,537,231	$ 1,506,975	$ 1,493,700	$ 1,411,208	$ 1,445,142	$ 1,486,264	$ 1,465,240	$ 1,473,428	$ 1,482,568
Contributions as a percentage of covered payroll	23.40%	22.78%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See accompanying notes to the basic financial statements.

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY,
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST SIX FISCAL YEARS*

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.055582%	0.058985%	0.058298%	0.05593%	0.05845%	0.06114%
Employer's proportionate share of the net OPEB liability (asset)	$ 1,096,918	$ 1,129,238	$ 1,407,719	$ 940,751	$ 1,037,750	$ 1,229,023
Employer's covered-employee payroll	$ 1,537,231	$ 1,506,975	$ 1,493,700	$ 1,411,208	$ 1,445,142	$ 1,486,264
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	71.36%	74.93%	94.24%	66.66%	71.81%	82.69%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only information is available.

Notes to Schedule

The total OPEB liability and net OPEB liability as of June 30, 2023, is based on the June 30, 2021 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2022 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2021
Experience study:	July 1, 2013 - June 30, 2018
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Remaining amortization period:	30 years
Asset valuation method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies based on service
Investment rate of return:	6.25%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 For healthy retired members and beneficiaries: 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 For disabled members: PUB-2010 Disability Mortality Table, with a four-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010
Healthcare trend rates:	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65) Initial trend starting at 9% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Post-65)
Changes of benefit terms and plan provisions:	None
Changes of assumptions:	The single discount rate for non-hazardous changed from 5.20% to 5.70% The municipal bond rate increased from 1.92% to 3.69%. The healthcare trend rates for Medicare Plans was increased from 6.20% to 9.00% based on a review of the healthcare per capita claims costs.

NOTE: This schedule is based on the last measurement date of the net OPEB liability.

See accompanying notes to the basic financial statements.

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF EMPLOYER CONTRIBUTIONS,
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST SEVEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 55,924	$ 64,103	$ 71,732	$ 71,100	$ 74,230	$ 67,922	$ 70,300
Contributions in relation to the contractually required contribution	55,924	64,103	71,732	71,100	74,230	67,922	70,300
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 1,649,684	$ 1,537,231	$ 1,506,975	$ 1,493,700	$ 1,411,208	$ 1,445,142	$ 1,486,264
Contributions as a percentage of covered-employee payroll	3.39%	4.17%	4.76%	4.76%	5.26%	4.70%	4.73%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. Contractually required contributions do not include the expected implicit subsidy included in the calculation of the net OPEB liability.

See accompanying notes to the basic financial statements.

SUPPLEMENTARY INFORMATION

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Environmental Protection Agency:			
Passed through Kentucky Infrastructure Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	A20-032	$ 1,162,365
Total U.S. Environmental Protection Agency			1,162,365
U.S. Department of Treasury:			
Passed through Kentucky Infrastructure Authority:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	21CSW-069	119,272
Total U.S. Department of Treasury			119,272
TOTAL FEDERAL AWARDS			$ 1,281,637

See independent auditor's report and notes to schedule of expenditures of federal awards.

PADUCAH MCCRACKEN JOINT SEWER AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Paducah McCracken Joint Sewer Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Organization did not elect to use the 10.00% de minimis indirect cost rate.

Note B - Reconciliation to Financial Statements:

Total federal award expenditures per schedule	$ 1,281,637
Less: Federal award expenditures above applicable to loan program	(1,162,365)
	119,272
Other grants	4,500
TOTAL GRANT REVENUE PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	$ 123,772

See independent auditor's report.

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Original and Final Budget Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Operating Revenues:			
Charges for services	$ 9,850,200	$10,470,437	$ 620,237
Operating Expenses:			
Salaries, wages and benefits	2,696,643	2,496,413	200,230
Chemicals, testing and solids disposal	387,000	431,156	(44,156)
Utilities	953,550	919,817	33,733
Materials, supplies and repairs	409,950	499,316	(89,366)
Fleet expense	151,100	154,869	(3,769)
Liability insurance	133,000	133,761	(761)
Training, safety and dues	45,650	45,874	(224)
Professional fees	87,030	71,353	15,677
Office expense	18,200	32,070	(13,870)
Public education	5,000	2,429	2,571
Billing and collections	164,456	163,692	764
Bad debts	48,500	28,369	20,131
Board of Directors expense	16,800	15,000	1,800
Miscellaneous	16,600	17,965	(1,365)
Amortization	-	7,931	(7,931)
Depreciation	2,832,443	2,868,572	(36,129)
Total operating expenses	7,965,922	7,888,587	77,335
Operating income	1,884,278	2,581,850	697,572
Non-Operating Revenues (Expenses):			
Investment revenue	80,000	413,439	333,439
Gain on sale of asset	-	17,500	17,500
Interest expense	(565,023)	(561,727)	3,296
Amortization	(4,219)	(4,220)	(1)
Tap-on and assessment fees	176,000	229,076	53,076
Other, net	(97,500)	(88,928)	8,572
Total non-operating revenues (expenses), net	(410,742)	5,140	415,882
Change in net position before capital contributions	1,473,536	2,586,990	1,113,454
Capital Contributions:			
Grant revenue	-	123,772	123,772
Contributed capital	-	506,100	506,100
Total capital contributions	-	629,872	629,872
INCREASE IN NET ASSETS	$ 1,473,536	$ 3,216,862	$ 1,743,326

See independent auditor's report.

WILLIAMS WILLIAMS & LENTZ
CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
Michael F. Karnes
Mark A. Thomas
Ashley C. Grooms
Kelly D. Scruggs
Benjamin D. Teer

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Paducah McCracken Joint Sewer Agency
Paducah, Kentucky

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Paducah McCracken Joint Sewer Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Paducah McCracken Joint Sewer Agency's basic financial statements, and have issued our report thereon dated October 2, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paducah McCracken Joint Sewer Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Paducah McCracken Joint Sewer Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Paducah McCracken Joint Sewer Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Paducah McCracken Joint Sewer Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paducah McCracken Joint Sewer Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams, Williams + Lentz, PLLC

Paducah, Kentucky
October 3, 2023

WILLIAMS WILLIAMS & LENTZ
CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Paducah McCracken Joint Sewer Agency
Paducah, Kentucky

Report on Compliance for Each Major Federal Program

Opinion of Each Major Federal Program

We have audited Paducah McCracken Joint Sewer Agency's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Paducah McCracken Joint Sewer Agency's major federal programs for the year ended June 30, 2023. Paducah McCracken Joint Sewer Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Paducah McCracken Joint Sewer Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Paducah McCracken Joint Sewer Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Paducah McCracken Joint Sewer Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Paducah McCracken Joint Sewer Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Paducah McCracken Joint Sewer Agency's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Paducah McCracken Joint Sewer Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Paducah McCracken Joint Sewer Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Paducah McCracken Joint Sewer Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Paducah McCracken Joint Sewer Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Williams, Williams + Lentz, LLP

Paducah, Kentucky
October 3, 2023

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Paducah McCracken Joint Sewer Agency were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report.

3. No instances of noncompliance material to the financial statements of Paducah McCracken Joint Sewer Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal awards programs for Paducah McCracken Joint Sewer Agency expresses an unmodified opinion on all major federal programs.

6. There are no audit findings required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance.

7. The programs tested as major programs included:

Name	CFDA
Capitalization Grants for Clean Water State Revolving Funds	66.458

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Paducah McCracken Joint Sewer Agency was not determined to be a low-risk auditee.

B. Findings - Basic Financial Statements Audits

None

C. Findings and Questioned Costs - Major Federal Awards Program

None

PADUCAH MCCRACKEN JOINT SEWER AGENCY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no findings or questioned costs for the prior year.