

**PADUCAH MCCRACKEN JOINT SEWER AGENCY  
PADUCAH, KENTUCKY**

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FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 Opinion

We conducted our audit 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. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 September 17, 2024, 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*

Paducah, Kentucky  
September 17, 2024



WILLIAMS  
WILLIAMS  
& LENTZ

**REQUIRED SUPPLEMENTARY INFORMATION**



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, 2024.

### **Financial Highlights**

- Net capital assets increased \$3.041 million (3.6%) over prior FY
- Total net position increased \$7.043 million during the year
- Operating revenues increase \$12 thousand (0.1%) over FY 2023
- Debt service coverage ratio above level of compliance at 3.63 for FY 2024

### **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 06/30/24	FYE 06/30/23	Dollar Change	Percent Change
<b>Assets</b>				
Current assets	\$20,310	\$16,841	\$3,469	20.6%
Capital assets	88,165	85,124	3,041	3.6%
Restricted funds	1,641	1,569	72	4.6%
Deferred charges & other noncurrent assets	995	2,558	(1,563)	-61.1%
Total assets	<u>111,111</u>	<u>106,092</u>	<u>5,019</u>	4.7%
<b>Deferred Outflows of Resources</b>	<u>1,463</u>	<u>1,569</u>	<u>(106)</u>	-6.8%
<b>Liabilities &amp; net position</b>				
Current liabilities	3,052	2,809	243	8.7%
Noncurrent liabilities	<u>32,400</u>	<u>35,802</u>	<u>(3,402)</u>	-9.5%
Total liabilities	<u>35,452</u>	<u>38,611</u>	<u>(3,159)</u>	-8.2%
<b>Deferred Inflows of Resources</b>	<u>2,305</u>	<u>1,276</u>	<u>1,029</u>	80.6%
Invested in capital assets, net	57,400	52,847	4,553	8.6%
Restricted	1,641	1,569	72	4.6%
Unrestricted	<u>15,776</u>	<u>13,358</u>	<u>2,418</u>	18.1%
Total net position	<u><u>\$74,817</u></u>	<u><u>\$67,774</u></u>	<u><u>\$7,043</u></u>	10.4%

### 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 next phase of construction was awarded in early FY 2025, which will complete the 80 MGD pump station, force main, screening facility and outfall discharge. This project is slated for completion for late calendar year 2025 at a construction cost of \$12.85 million. 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 decreased during FY 2024 by \$3.159 million or -8.2% over FY 2023.

The JSA's total net position increased by \$7.0 million or 10.4% during FY 2024.

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

	06/30/24	06/30/23	Dollar Change	Percent Change
<b>Revenue</b>				
Operating revenues	\$10,482	\$10,470	\$12	0.1%
Non-operating revenues	1,186	660	526	79.8%
Total revenues	11,668	11,130	538	4.8%
<b>Expenses</b>				
Depreciation	2,907	2,869	38	1.3%
Operating expenses	4,959	5,020	(61)	-1.2%
Non-operating expenses	625	655	(30)	-4.6%
Total expenses	8,491	8,544	(53)	-0.6%
<b>Contributions</b>	3,866	630	3,236	513.7%
<b>Change in net position</b>	7,043	3,216	3,827	119.0%
Beginning net position, adjusted	67,774	64,558	3,216	5.0%
<b>Ending net position</b>	\$74,817	\$67,774	\$7,043	10.4%

**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 2024 finished \$12 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 \$143 thousand under budget for FY 2024. Operating expenses came in under budget for the fiscal year finishing \$505 thousand below estimate.

JSA received \$3.866 million in capital contributions during the fiscal year. These contributions came in the forms of grant revenue of \$3.256 million and developer non-cash contributions of \$610 thousand.

**Results of Operations**

Total revenues of \$10.48 million, showed an increase of \$12 thousand from FY 2023. Total expenses decreased \$53 thousand from FY 2023.

**EXHIBIT 3: Detail of Operating Expenses (Excluding Depreciation)**

Operating Expenses (in thousands)	06/30/24	06/30/23	Dollar Change	% Change
Salaries, wages, and benefits	\$2,391	\$2,496	\$(105)	-4.2%
Chemicals, testing, and solid disposal	464	431	33	7.7%
Utilities	937	920	17	1.8%
Material, supplies, and repairs	436	499	(63)	-12.6%
Fleet expense	181	155	26	16.8%
Professional fees	93	71	22	31.0%
Billing, collection, and bad debts	191	192	(1)	-0.5%
All other	257	247	10	4.0%
Total	\$4,950	\$5,011	\$(61)	-1.2%

**Salaries, Wages and Benefits**

Salaries, wages, and benefits comprise the bulk of operating expenses. These expenses decreased 4.2% over FY 2023. 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 2024, JSA recorded a \$412 thousand pension cost reduction due to reporting requirements mandated by GASB compared to a reduction of only \$36 thousand in FY 2023. JSA employees did receive annual raises, which averaged an approximate 4.0% increase in the salary pool. The County Employees Retirement System (CERS) slightly decreased the contribution requirement for FY 2024 from FY 2023.

**Other Operating Expenses**

Chemicals, testing, and solids disposal showed a \$33 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. During FY 2024, JSA increased the amount of odor control chemicals significantly. We anticipate costs associated with odor control to potentially increase again as JSA increases usage due to public perception and tolerance of odors. 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. 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 steady costs associated with sludge disposal for sludge that was sent to the landfill. For FY 2024, costs related to disposal increased slightly over the prior year with an increase of 3.7%. JSA anticipates higher sludge disposal costs for FY 2025, as pricing for disposal increases.

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 \$63 thousand decrease 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 include 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 decreased in FY 2024 compared to the prior fiscal year. Repairs were made as follows:

EXHIBIT 4: Repairs by Department (in thousands)

Department	06/30/24	06/30/23	Dollar Change	Percent Change
Collection System (pipes)	\$92	\$111	\$(19)	-17.1%
Lift Stations (pipes and pumps)	60	82	(22)	-26.8%
Treatment Plants (pipes, pumps, and motors)	50	52	(2)	-3.8%
Total	\$202	\$245	\$(43)	-17.6%

Fleet expense increased \$26 thousand or 16.8%, 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 2024 professional fees were \$22 thousand more than in FY 2023. 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 increase for FY 2024. In total, professional fees were \$295 under budget.

Paducah Water provides billing and collection services for the JSA. Bad debt write-offs finished lower than expected at \$21 thousand, or \$27 thousand below budget.

All other expenses totaled \$257 thousand for FY 2024 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 \$240 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 3.63 in FY 2024 and 2.56 in FY 2023.

#### 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 22. During FY 2024, interest rates continued to increase resulting in an increase in investment income by \$461 thousand during FY 2024.

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 (WWTP). JSA has 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 in design for the necessary improvements to the WWTP at Woodlawn.

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. The rate ordinance for JSA includes the ability to adjust rates annually by the Consumer Price Index - Urban (CPI-U) for subsequent years. The agency elected to implement CPI-U increases on July 1, 2024 and July 1, 2023, respectively, for 3.33% and 3.0%. JSA strives to utilize sound business principles 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 roughly \$16.4 million in grants from the KIA, United States Department of Agriculture Rural Development, and Delta Regional Authority since FY 2005. 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. Most recently 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 Regional 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**

<b>Current Assets:</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 4,247,665	\$ 3,733,123
Investments and accrued interest	13,381,791	11,244,874
Customer accounts receivable	553,819	522,707
Grants and other receivables	969,729	57,765
Lease receivable	2,371	2,264
Accrued unbilled revenue	881,000	874,000
Inventories and prepaid expenses	273,504	406,351
	<hr/>	<hr/>
Total current assets	20,309,879	16,841,084
	<hr/>	<hr/>
<b>Non-Current Assets:</b>		
Utility plant and capital assets, net	88,164,770	85,124,384
Leased assets, net	249,600	257,531
Investments	729,955	2,278,920
Restricted assets and investments	1,640,910	1,569,094
Lease receivable	2,483	4,853
Bond discount - net	13,093	16,933
	<hr/>	<hr/>
Total non-current assets	90,800,811	89,251,715
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>111,110,690</b>	<b>106,092,799</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension plan outflows	1,054,430	965,208
Deferred other postemployment benefit plan outflows	409,066	603,314
	<hr/>	<hr/>
Total deferred outflows of resources	1,463,496	1,568,522

**LIABILITIES**

<b>Current Liabilities:</b>		
Notes and bonds payable	2,190,181	1,861,561
Leases payable	4,669	4,311
Accounts payable	664,632	775,284
Salaries and benefits payable	118,043	86,320
Other current liabilities	74,071	81,817
	<hr/>	<hr/>
Total current liabilities	3,051,596	2,809,293
	<hr/>	<hr/>
<b>Non-Current Liabilities:</b>		
Notes and bonds payable	28,482,026	30,330,526
Leases payable	350,769	355,437
Net pension liability	3,646,117	4,018,753
Net other postemployment benefit plan liability	(78,452)	1,096,918
	<hr/>	<hr/>
Total non-current liabilities	32,400,460	35,801,634
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>35,452,056</b>	<b>38,610,927</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred lease inflows	4,854	7,117
Deferred pension plan inflows	859,084	630,303
Deferred other postemployment benefit plan inflows	1,440,670	638,939
	<hr/>	<hr/>
Total deferred inflows of resources	2,304,608	1,276,359

**NET POSITION**

Invested in capital assets, net of related debt	57,399,818	52,847,013
Restricted for debt service	1,640,910	1,569,094
Unrestricted	15,776,794	13,357,928
	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ 74,817,522</b>	<b>\$ 67,774,035</b>

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**

<b>Operating Revenues:</b>	<b>2024</b>	<b>2023</b>
Charges for services	<u>\$10,482,250</u>	<u>\$10,470,437</u>
 <b>Operating Expenses:</b>		
Salaries, wages, and benefits	2,391,152	2,496,413
Chemicals, testing, and solids disposal	464,364	431,156
Utilities	936,847	919,817
Materials, supplies, and repairs	436,373	499,316
Fleet expense	181,119	154,869
Liability insurance	151,258	133,761
Training, safety, and dues	48,275	45,874
Professional fees	92,865	71,353
Office expense	26,601	32,070
Public education	2,493	2,429
Billing and collections	169,745	163,692
Bad debts	21,221	28,369
Board of directors expense	16,800	15,000
Miscellaneous	11,706	17,965
Amortization	7,931	7,931
Depreciation	<u>2,906,979</u>	<u>2,868,572</u>
 Total operating expenses	 <u>7,865,729</u>	 <u>7,888,587</u>
 Operating income	 <u>2,616,521</u>	 <u>2,581,850</u>
 <b>Non-Operating Revenues (Expenses):</b>		
Investment revenue	874,015	413,439
Gain on sale of assets	55,948	17,500
Interest expense	(531,179)	(561,727)
Amortization	(3,840)	(4,220)
Tap-on and assessment fees	255,428	229,076
Other, net	<u>(89,687)</u>	<u>(88,928)</u>
 Total non-operating revenues (expenses), net	 <u>560,685</u>	 <u>5,140</u>
 Change in net position before capital contributions	 <u>3,177,206</u>	 <u>2,586,990</u>
 <b>Capital Contributions:</b>		
Grant revenue	3,256,461	123,772
Contributions from developers	<u>609,820</u>	<u>506,100</u>
 Total capital contributions	 <u>3,866,281</u>	 <u>629,872</u>
 Change in net position	 7,043,487	 3,216,862
 Net position, beginning	 <u>67,774,035</u>	 <u>64,557,173</u>
 NET POSITION, ENDING	 <u><u>\$74,817,522</u></u>	 <u><u>\$67,774,035</u></u>

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**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities:</b>		
Collections from customers	\$10,441,354	\$10,385,278
Cash paid to suppliers	(2,552,884)	(2,739,710)
Cash paid to employees	(2,779,693)	(2,536,450)
	<u>5,108,777</u>	<u>5,109,118</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investments	11,042,297	6,612,704
Purchases of investments	(11,694,865)	(11,022,656)
Investment earnings	866,815	395,550
	<u>214,247</u>	<u>(4,014,402)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Grants and contributed capital	2,333,856	123,772
Tap-on fees and assessments	255,428	229,076
Acquisition of capital assets	(5,312,710)	(3,478,151)
Proceeds from sale of assets	61,138	26,900
Proceeds from debt issues	341,681	3,120,246
Principal payments on long-term debt	(1,861,561)	(1,866,216)
Interest payments on long-term debt	(536,627)	(569,577)
Other, net	(89,687)	(88,928)
	<u>(4,808,482)</u>	<u>(2,502,878)</u>
Net increase (decrease) in cash and cash equivalents	514,542	(1,408,162)
Cash and cash equivalents, beginning of year	<u>3,733,123</u>	<u>5,141,285</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,247,665</u>	<u>\$ 3,733,123</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 2,616,521	\$ 2,581,850
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	7,931	7,931
Depreciation	2,906,979	2,868,572
Changes in operating assets and liabilities:		
Accounts receivable	(20,471)	(26,526)
Accrued unbilled revenue	(7,000)	(31,000)
Inventory and prepaid expenses	132,847	(41,643)
Deferred outflows of resources	105,026	(216,100)
Accounts payable	(140,677)	(207,186)
Leases payable	(4,310)	(3,970)
Salaries and benefits payable	31,723	(2,733)
Other current liabilities	(2,298)	391
Net pension liability	(1,548,006)	224,784
Deferred inflows of resources	1,030,512	(45,252)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 5,108,777</u>	<u>\$ 5,109,118</u>

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

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2024 AND 2023

**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.

**Revenue Recognition**

Billings for sewer rates are billed the month following the month of service. The amount of sewer service provided from the last billing for the prior month through the end of the current month is recorded as accrued unbilled revenue in the statement of net position and revenue in the statement of revenues, expenses, and changes in net position. All sewer service provided is recorded in the period in which the service was provided.

**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. Beginning accounts receivable as of June 30, 2022 were \$503,899.

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)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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:

	<u>Years</u>
Utility plant	20-60
Vehicles	5- 7
General plant and office equipment	3-10

**Net Position**

Net position is displayed in three components:

- a. Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and unpaid debt financing.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of “restricted” or “investment in capital assets.”

**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.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

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

**Deferred Outflows and Deferred Inflows**

Deferred outflow of resources represents a consumption of net position by Paducah McCracken Joint Sewer Agency that is applicable to a future reporting period and will not be recognized as an outflow of resources (expenditure/expense) until that time. Deferred inflow of resources represents an acquisition of net position by Paducah McCracken Joint Sewer Agency that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time.

Paducah McCracken Joint Sewer Agency reports deferred inflows and outflows of resources with respect to their participation in the County Employee Retirement System as discussed further in Note M and deferred inflows of resources with respect to lease agreements.

**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. Investments are reported at fair value.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2023 financial statements to make them conform to the June 30, 2024 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.

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

	<b>2024</b>	<b>2023</b>
Certificates of deposit - various financial institutions	\$1,072,221	\$1,028,782
U.S. Government money market funds	568,689	540,312
<b>TOTALS</b>	<b>\$1,640,910</b>	<b>\$1,569,094</b>

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.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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, 2024 and 2023, the bank balance of cash and investments included \$7,310,480 and \$7,162,080, respectively, that was not covered by FDIC insurance and subject to custodial credit risk. Of the balances as of June 30, 2024 and 2023, \$7,310,480 and \$7,162,080, 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, 2024 and 2023.

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:

	<b>2024</b>	<b>2023</b>
Cash and cash equivalents - various financial institutions	\$ 4,247,665	\$ 3,733,123
Certificates of deposit with maturities greater than 90 days of the year end - various financial institutions	12,030,789	11,517,830
Obligations of U.S. Treasury	2,080,957	2,005,964
<b>TOTALS</b>	<b>\$ 18,359,411</b>	<b>\$ 17,256,917</b>

**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.

**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, 2024 and 2023, the Agency recognized lease revenue in the amount of \$2,263 and \$2,223, with interest income in the amount of \$337 and \$377, respectively. Income from the lease is reported as other non-operating revenues. The remaining lease receivable in the amount of \$4,854 and \$7,117 as of June 30, 2024 and 2023, 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.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note E - Construction in Progress:**

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

	<u>2024</u>	<u>2023</u>
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	490,705	368,846
LTCP Combined Sewer Diversion Structure and Pumping Station	-	6,869,246
Facilities 201 Plan	207,230	141,600
Triple Rail Site	58,005	20,581
New Sludge Building & Digester Refurbishment	152,077	34,177
Spann Lane Wet Well	-	65,500
Highway 60 Sewer Extension	2,057,196	62,481
Nolan Drive LS Force Main	-	219
Rehab Contract CY' 2022	-	1,089,777
Quail Run Force Main	13,585	13,585
Woodlawn WWTP	41,872	33,451
Manhole Rehab Contract CY' 2022	-	1,851
Blankenship Road Extension	-	11,062
Hydraulic Model Update	19,130	9,975
Rehab Contract CY' 2023	1,411,739	29,355
616 Northview	-	1,425
Manhole Rehab Contract CY' 2023	-	282
Video Contract CY' 2023	286,901	10,250
Happy Hollow PS	113,940	11,422
North Friendship Road Sewer Relocation	23,265	-
Reidland Line Improvements - Phase II	38,634	-
Admin Office Improvements	15,840	-
Woodlawn Fencing	46,151	-
Rehab Contract CY' 2024	30,804	-
Fire Training Center Land	5,550	-
Manhole Rehab Contract CY' 2024	14,350	-
Video Contract CY' 2024	14,625	-
Oakland Circle Refurbishment	<u>7,000</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$5,069,736</u></b>	<b><u>\$9,013,506</u></b>

Construction in progress related invoices of \$412,292 and \$442,317 were included in accounts payable at June 30, 2024 and 2023, respectively.

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note F - Capital Assets:**

Capital assets consists of the following at June 30:

	<b>2024</b>			<b>Balance as of June 30, 2024</b>
	<b>Balance as of June 30, 2023</b>	<b>Increases</b>	<b>Decreases</b>	
Capital assets, not being depreciated:				
Land	\$ 1,645,550	\$ 75,000	\$ -	\$ 1,720,550
Construction in progress	<u>9,013,506</u>	<u>4,956,939</u>	<u>8,900,709</u>	<u>5,069,736</u>
Total capital assets not being depreciated	<u>10,659,056</u>	<u>5,031,939</u>	<u>8,900,709</u>	<u>6,790,286</u>
Capital assets, being depreciated:				
Utility assets (pipes, pumps, plants, structures)	122,857,364	9,336,209	29,376	132,164,197
Vehicles	1,574,816	243,018	104,400	1,713,434
General plant and office furniture	<u>4,824,736</u>	<u>242,098</u>	<u>13,719</u>	<u>5,053,115</u>
Totals at historical cost	<u>129,256,916</u>	<u>9,821,325</u>	<u>147,495</u>	<u>138,930,746</u>
Less accumulated depreciation:				
Utility assets	49,818,960	2,600,822	25,363	52,394,419
General plant and office furniture	3,443,696	239,923	12,542	3,671,077
Vehicles	<u>1,528,932</u>	<u>66,234</u>	<u>104,400</u>	<u>1,490,766</u>
Total accumulated depreciation	<u>54,791,588</u>	<u>2,906,979</u>	<u>142,305</u>	<u>57,556,262</u>
Total capital assets, being depreciated, net	<u>74,465,328</u>	<u>6,914,346</u>	<u>5,190</u>	<u>81,374,484</u>
<b>TOTAL CAPITAL ASSETS - NET</b>	<u>\$ 85,124,384</u>	<u>\$ 11,946,285</u>	<u>\$ 8,905,899</u>	<u>\$ 88,164,770</u>
	<b>2023</b>			<b>Balance as of June 30, 2023</b>
	<b>Balance as of June 30, 2022</b>	<b>Increases</b>	<b>Decreases</b>	
Capital assets, not being depreciated:				
Land	\$ 1,645,550	\$ -	\$ -	\$ 1,645,550
Construction in progress	<u>7,657,177</u>	<u>2,970,811</u>	<u>1,614,482</u>	<u>9,013,506</u>
Total capital assets not being depreciated	<u>9,302,727</u>	<u>2,970,811</u>	<u>1,614,482</u>	<u>10,659,056</u>
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	<u>4,707,992</u>	<u>158,121</u>	<u>41,377</u>	<u>4,824,736</u>
Totals at historical cost	<u>127,022,113</u>	<u>2,346,566</u>	<u>111,763</u>	<u>129,256,916</u>

(Continued)

**PADUCAH MCCrackEN JOINT SEWER AGENCY**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2024 AND 2023

**Note F - Capital Assets (Continued):**

	<b>2023</b>			
	<b>Balance as of June 30, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance as of June 30, 2023</b>
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	<u>1,511,338</u>	<u>34,261</u>	<u>16,667</u>	<u>1,528,932</u>
Total accumulated depreciation	<u>52,025,378</u>	<u>2,868,572</u>	<u>102,362</u>	<u>54,791,588</u>
Total capital assets, being depreciated, net	<u>74,996,735</u>	<u>(522,006)</u>	<u>9,401</u>	<u>74,465,328</u>
<b>TOTAL CAPITAL ASSETS - NET</b>	<u>\$ 84,299,462</u>	<u>\$ 2,448,805</u>	<u>\$ 1,623,883</u>	<u>\$ 85,124,384</u>

**Note G - Leased Assets:**

Leased assets consists of the following at June 30:

	<b>2024</b>			
	<b>Balance as of June 30, 2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance as of June 30, 2024</b>
Leased land rights	<u>\$ 396,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,563</u>
Accumulated amortization	<u>139,032</u>	<u>7,931</u>	<u>-</u>	<u>146,963</u>
<b>TOTAL LEASED ASSETS, NET</b>	<u>\$ 257,531</u>	<u>\$ 7,931</u>	<u>\$ -</u>	<u>\$ 249,600</u>

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

**Note H - Notes and Bonds Payable:**

Notes and bonds payable consists of the following:

	<b>2024</b>	<b>2023</b>
Notes Payable:		
Kentucky Infrastructure Authority	\$28,632,207	\$29,892,087
Bonds Payable:		
Sewer Revenue Refunding Bonds, Series 2014	<u>2,040,000</u>	<u>2,300,000</u>
Totals	30,672,207	32,192,087
Less current maturities	<u>2,190,181</u>	<u>1,861,561</u>
<b>TOTAL, LESS CURRENT PORTION</b>	<u>\$28,482,026</u>	<u>\$30,330,526</u>

During the years ended June 30, 2024 and 2023, the Agency made additional draws of \$341,681 and \$3,120,246 on an existing note payable to Kentucky Infrastructure Authority. The 2024 draw was the final draw on the note.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note H - Notes and Bonds Payable (Continued):**

Debt service requirements on notes payable at June 30, 2024, are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Service Fee</u></b>	<b><u>Total</u></b>
2025	\$ 1,920,181	\$ 436,413	\$ 55,966	\$ 2,412,560
2026	1,900,327	406,067	52,578	2,358,972
2027	1,862,723	375,695	48,696	2,287,114
2028	1,893,136	345,283	44,955	2,283,374
2029	1,924,105	314,313	41,154	2,279,572
2030-2034	9,278,872	1,098,706	148,728	10,526,306
2035-2039	6,865,943	427,610	65,474	7,359,027
2040-2044	<u>2,986,920</u>	<u>56,173</u>	<u>13,044</u>	<u>3,056,137</u>
<b>TOTALS</b>	<b><u>\$28,632,207</u></b>	<b><u>\$ 3,460,260</u></b>	<b><u>\$ 470,595</u></b>	<b><u>\$32,563,062</u></b>

Debt service requirements on bonds payable at June 30, 2024, are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Service Fee</u></b>	<b><u>Total</u></b>
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	295,000	27,450	-	322,450
2030-2032	<u>620,000</u>	<u>28,050</u>	<u>-</u>	<u>648,050</u>
<b>TOTALS</b>	<b><u>\$ 2,040,000</u></b>	<b><u>\$ 250,650</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,290,650</u></b>

Notes payable are secured by capital assets and restricted funds. At June 30, 2024, 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, 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.

Notes and bonds payable activity for the year ended June 30, 2024, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Long-term liabilities:					
Bonds payable	\$ 2,300,000	\$ -	\$ 260,000	\$ 2,040,000	\$ 270,000
Notes payable	<u>29,892,087</u>	<u>341,681</u>	<u>1,601,561</u>	<u>28,632,207</u>	<u>1,920,181</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>\$32,192,087</u></b>	<b><u>\$ 341,681</u></b>	<b><u>\$ 1,861,561</u></b>	<b><u>\$30,672,207</u></b>	<b><u>\$ 2,190,181</u></b>

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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:

	<b>2024</b>	<b>2023</b>
Leases payable	\$ 355,438	359,748
Less current maturities	4,669	4,311
<b>TOTALS</b>	<b>\$ 350,769</b>	<b>\$ 355,437</b>

The long-term leases required lease payments at June 30, 2024, are as follows:

<b><u>Year Ending</u></b> <b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
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	6,277	4,893	11,170
2030-2034	34,612	23,345	57,957
2035-2039	41,120	21,113	62,233
2040-2044	44,996	18,235	63,231
2045-2049	58,218	14,523	72,741
2050-2055	74,112	9,789	83,901
2056-2059	72,205	4,056	76,261
2060-2064	2,902	46	2,948
<b>TOTALS</b>	<b>\$ 355,438</b>	<b>\$ 116,191</b>	<b>\$ 471,629</b>

Change in Lease payables:

	<b><u>Balance</u></b> <b><u>June 30, 2023</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2024</u></b>	<b><u>Due In</u></b> <b><u>One Year</u></b>
Land right contracts	\$ 359,748	\$ -	\$ 4,310	\$ 355,438	\$ 4,669

  

	<b><u>Balance</u></b> <b><u>June 30, 2022</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2023</u></b>	<b><u>Due In</u></b> <b><u>One Year</u></b>
Land right contracts	\$ 363,718	\$ -	\$ 3,970	\$ 359,748	\$ 4,310

**Note J - Contributed Capital:**

For the years ended June 30, 2024 and 2023, the Agency accepted \$609,820 and \$506,100, respectively, of sewer line extensions that were placed into service during the respective years by developers in McCracken County, Kentucky.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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:		<u>2024</u>	<u>2023</u>
Developer contributions		\$609,820	\$506,100

**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 and Insurance Funds**

*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 plans. The report may be obtained by writing or calling the plan:

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

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.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note M - Employee Retirement System (Continued):**

**County Employees' Retirement System Pension and Insurance Funds (Continued)**

*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 23.34% for the year ended June 30, 2024. The required contribution rates for fiscal years ending June 30, 2023 and 2022, were 26.79% and 26.95%, respectively. The contribution rate is a combined rate for both the pension plan and the insurance fund. For fiscal year ended June 30, 2024, the pension plan and insurance fund portions were 23.34% and 0.00%, respectively. No employer contribution was made in 2024 for the insurance fund due to the fund being over funded. These percentages were 23.40% and 3.39% for fiscal year ending June 30, 2023, and 22.78% and 4.17% for fiscal year ending June 30, 2022. The employer pension contributions for fiscal years ended June 30, 2024, 2023, and 2022, were \$420,443, \$386,026, and \$350,181, respectively. The employer insurance contributions (excluding the implicit subsidy) for fiscal years ended June 30, 2024, 2023, and 2022, were \$0, \$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 \$3,646,117 and \$4,018,753 at June 30, 2024 and 2023, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2024 and 2023, was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively. For the June 30, 2023 measurement, the total pension liability was rolled-forward from the actuarial valuation date of June 30, 2022, to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. For the June 30, 2022 measurement, the 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 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, 2024 and 2023, the Agency's proportion was 0.056824% and 0.055592%.

As a result of its requirement to contribute to CERS, the Agency recognized pension expense of \$187,312 and \$297,701 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 393,884	\$ 443,619
Difference between expected and actual experience	188,752	9,908
Changes of assumptions	-	334,169
Change in proportion and differences between employer contributions and proportionate share of contributions	51,351	71,388
Contributions subsequent to the measurement date	<u>420,443</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$ 1,054,430</u></b>	<b><u>\$ 859,084</u></b>

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
<b>TOTALS</b>	<b>\$ 965,208</b>	<b>\$ 630,303</b>

Deferred outflows of resources in the amount of \$420,443 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending June 30</u></b>		
2025		\$ (157,529)
2026		(113,666)
2027		81,396
2028		(35,298)

The net pension liability as of June 30, 2024, is based on the June 30, 2022 actuarial valuation as rolled-forward to the plan's fiscal year end June 30, 2023, using generally accepted actuarial principles. 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. 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 (2.85 years and 2.90 years for June 30, 2023 and June 30, 2022, respectively).

*Actuarial assumptions.* The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2023, was based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022), to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. A new actuarial experience study was conducted for the period July 1, 2018 to June 30, 2022. Subsequent to the actuarial valuation date (June 30, 2022), but prior to the measurement date, the KPPA Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note M - Employee Retirement System (Continued):**

**County Employees' Retirement System Pension Fund (Continued)**

On May 9, 2023, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2023 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation	
Prior measurement date	2.30%
Measurement date	2.50%
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	
Prior measurement date	6.25%
Measurement date	6.50%
Payroll growth rate	2.00%

Mortality - The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2023. For disabled retired members, the mortality table used is PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

House Bill 506 establishes a partial lump sum option, with and without survivor rights, as a payment option for retiring members of CERS. For retirement dates effective January 1, 2024 and after, members will again be allowed to choose a retirement payment option that offers a lump-sum payment equal to 12 to 60 months of payments of the Basic/Annuity or Survivorship 100% payment options and a lifetime monthly benefit that is actuarially reduced to reflect the lump sum payment. The bill also changes the required break in service before a retiree may return to work with a participating employer and continue to receive their retirement allowance. Effective January 1, 2024, the break in service is reduced from three calendar months to one month.

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, 2023 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Specialty Credit	10.00%	3.65%
Core Fixed Income	10.00%	2.45%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	5.15%
Total	100.00%	

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note M - Employee Retirement System (Continued):**

**County Employees' Retirement System Pension Fund (Continued)**

For the June 30, 2022 actuarial calculation, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Equivalent	0.00%	(0.91)%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	4.07%
Total	100.00%	

*Discount rate.* The discount rate used to measure the total pension liability was 6.50% and 6.25% at June 30, 2023 and 2022, respectively. 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 a 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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>1.00% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1.00% Increase 7.50%</u>
The Agency's proportionate share of the net pension liability	\$ 4,603,443	\$3,646,117	\$ 2,850,543

*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, 2024 and 2023, 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.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note M - Employee Retirement System (Continued):**

**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 (\$78,452) and \$1,096,918 at June 30, 2024 and 2023, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability at June 30, 2024 and 2023, was measured as of June 30, 2023 and 2022, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively. For the June 30, 2023 measurement, the total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2022, to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. 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. 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, 2024 and 2023, the Agency's proportion was 0.056822% and 0.055582%.

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 (\$167,748) and \$145,555 for the years ended June 30, 2024 and 2023. At June 30, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on OPEB plan investments	\$ 146,820	\$ 165,028
Difference between expected and actual experience	54,693	1,113,944
Changes of assumptions	154,389	107,593
Change in proportion and differences between employer contributions and proportionate share of contributions	27,540	54,105
Contributions subsequent to the measurement date	<u>25,624</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$ 409,066</u></b>	<b><u>\$ 1,440,670</u></b>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>95,472</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$ 603,314</u></b>	<b><u>\$ 638,939</u></b>

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note M - Employee Retirement System (Continued):**

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

Deferred outflows of resources related to OPEB, in the amount of \$25,624 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b><u>June 30</u></b>	
2025	\$ (266,186)
2026	(327,806)
2027	(252,406)
2028	(210,830)

The net OPEB liability as of June 30, 2024, is based on the June 30, 2022 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2023, using generally accepted actuarial principles. 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. 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 (4.85 years and 4.82 years for June 30, 2023 and June 30, 2022, respectively).

*Actuarial assumptions.* The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2023, was based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date of June 30, 2022, to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. A new actuarial experience study was conducted for the period July 1, 2018 to June 30, 2022. Subsequent to the actuarial valuation date of June 30, 2022, but prior to the measurement date, the KPPA Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. On May 9, 2023, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2023 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation	
Prior measurement date	2.30%
Measurement date	2.50%
Salary increases, average, including inflation	3.30% to 10.30%, varies by service
Investment rate of return, net of OPEB plan investment expense, including inflation	6.50%
Payroll growth rate	2.00%
Municipal bond index rate	
Prior measurement date	3.69%
Measurement date	3.86%
Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation	
Prior measurement date	5.70%
Measurement date	5.93%

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note M - Employee Retirement System (Continued):**

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

Healthcare cost trend rates - Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend rate starting at 8.50% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Post-65).

The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2023. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The partial lump sum options and one month break in service provisions of House Bill 506 as described under the pension plan above also applies to the insurance fund for retirement dates effective January 1, 2024 and after. The total OPEB liability as of June 30, 2023, 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, 2023 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Specialty Credit	10.00%	3.65%
Core Fixed Income	10.00%	2.45%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	5.15%
Total	100.00%	

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Equivalent	0.00%	(0.91)%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	4.07%
Total	100.00%	

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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 5.93% and 5.70% at June 30, 2023 and 2022, 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 of projected compensation over a 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 each participating employer in KPPA contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. 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 KPPA's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KPPA'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 of 5.93% is based on the expected rate of return at the measurement date of 6.50% and was calculated using the Municipal Bond Index Rate as of the measurement date of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. 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 5.93%, 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 (4.93%) or 1-percentage-point higher (6.93%) than the current discount rate:

	<b>1.00% Decrease</b>	<b>Current Discount Rate</b>	<b>1.00% Increase</b>
	<b>4.93%</b>	<b>5.93%</b>	<b>6.93%</b>
The Agency's proportionate share of the net OPEB liability	\$ 147,225	\$ (78,452)	\$ (267,429)

*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:

	<b>1.00% Decrease</b>	<b>Current Trend Rate</b>	<b>1.00% Increase</b>
The Agency's proportionate share of the net OPEB liability	\$ (251,453)	\$ (78,452)	\$ 134,063

*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, 2024 and 2023, 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)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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 contributions. 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, 2024 and 2023, were \$96,837 and \$85,824, respectively.

**Note O - Asset Retirement Obligations:**

If a reasonable estimate of the fair value of an obligation to dismantle facilities, lagoons, or other tangible capital assets can be determined, a liability (an asset retirement obligation or ARO) under *ASC 410, Asset Retirement and Environmental Obligations* is recorded on the statement of net position, and the present value of the asset retirement cost is capitalized in the period in which the retirement obligation is incurred. In general, the amount of an ARO and the costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation assuming the normal operation of the asset using current prices adjusted by an inflation factor up to the estimated settlement date, which is then discounted back to the date that the abandonment obligation was incurred using an assumed cost of funds for the Agency. These costs are amortized over the life of the asset. There were no ARO's at June 30, 2024 or June 30, 2023.

Decommissioning of certain types of treatment plants have required retirement activities. However, no treatment plants are currently scheduled to be decommissioned, and no liability has been incurred or is reasonably estimable. When lagoons are retired, they have to be drained with the remaining sludge dried and disposed which could be a substantial cost. Currently, there are no plans to retire any lagoons. The methods of disposal minimize any potential environmental hazards surrounding the eventual disposal. The Agency is not legally forced to retire assets. For these reasons, no ARO has been recorded. This will be reevaluated in future years.

**Note P - 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 14 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 approximately \$9 million in costs to bring the treatment plant into compliance. The agency expects the required work to be completed over the next three years.

(Continued)

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**Note P - Commitments and Contingencies (Continued):**

The following amounts represent either balances remaining on contracts or contracts signed in which no work had been performed at June 30, 2024.

<u>Vendor</u>	<u>Project</u>	<u>Contract Total</u>	<u>Contract Cost-to-Date</u>	<u>Future Commitment</u>
Strand Associates, Inc.	Woodlawn Regulatory Support	\$ 20,000	\$ 16,503	\$ 3,497
Strand Associates, Inc.	201 Facility Plan	210,000	206,770	3,230
J.R. Wauford & Company	Combined Sewer Screening and Flow Management Facilities	471,000	460,400	10,600
J.R. Wauford & Company	Sludge Building Digester	393,000	117,900	275,100
Bacon Farmer Workman Engineering	Highway 60 Sewer Extension	23,800	22,120	1,680
Bacon Farmer Workman Engineering	Blankenship Road Extension	18,500	13,209	5,291
Colson Excavating Co., LLC	Highway 60 Sewer Extension	1,967,175	1,837,737	129,438
Insituform Technologies	2024 Rehabilitation Contract	1,382,200	-	1,382,200
GRW	Hydraulic Model Update	19,180	19,130	50
Robinson Pipe Cleaning Company	2023 Rehabilitation Contract	1,388,817	1,377,377	11,440
Robinson Pipe Cleaning Company	2023 Sanitary Sewer CCTV	293,407	236,142	57,265
Rivercrest Engineering, Inc.	North Friendship Road Sewer Reloc	31,786	23,265	8,521
PFGW Architects	Administrative Office Improvements	19,800	15,840	3,960
Jennings Fencing	Woodlawn Wastewater Plant Fence	125,145	45,941	79,203
Hazen and Sawyer	2024 Manhole Rehabilitation	20,500	8,200	12,300
Hazen and Sawyer	2024 Sanitary Sewer CCTV	19,500	14,625	4,875
Hazen and Sawyer	2025 Rehabilitation Contract	24,000	-	24,000
Cruise Power Line Construction	Triple Rail Site Sanitary Sewer Force Main - Section 1	642,707	-	642,707
Jack Donheny Co	Vactor 2100i Truck	594,000	-	594,000
Chambers Roofing	Maintenance Shop Roof	43,824	-	43,824
Williams, Williams & Lentz, LLP	2024 Audit	24,000	-	24,000
		<u>\$7,732,341</u>	<u>\$4,415,159</u>	<u>\$ 3,317,181</u>

**Note Q - 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, 2024 and \$7 million as of June 30, 2023, and are included as part of the unrestricted net assets on the statements of net position.

**Note R - Interest Expense:**

For the years ended June 30, 2024 and 2023, interest expense was \$531,179 and \$561,727, respectively.

**Note S - Subsequent Events:**

Management has evaluated subsequent events through September 17, 2024, the date which the financial statements were available to be issued. The agency expects to receive approval on a Kentucky Infrastructure Authority loan in the amount of \$15,366,000 to finance a portion of the long-term control plan.

**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 TEN YEARS\***

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.056824%	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)	3,646,117	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	1,649,684	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
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	221.02%	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	57.48%	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.

**Notes to Schedule**

The total pension liability and net pension liability as of June 30, 2024, is based on the June 30, 2022 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2023, 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, 2022
Experience study:	July 1, 2018 - June 30, 2022
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
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:	2.50%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.50%, net of pension plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries: System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2022. For disabled members: PUB-2010 Disabled Mortality Table with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Changes of plan provisions:	House Bill 506 reinstated the partial lump sum options form of payment for members retiring on or after January 1, 2024. The bill modified the minimum separation period required for a retiree to reemploy with a participating employer of the System while still receiving their retirement allowance. This standardized the separation period to one month for all plans effective January 1, 2024.
Changes of benefit terms:	None
Changes of assumptions:	Demographic and economic assumptions were updated based on the 2022 experience study Inflation increased from 2.30% to 2.50% The single discount rate for non-hazardous changed from 6.25% to 6.50% A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 420,443	\$ 386,026	\$ 350,181	\$ 290,846	\$ 288,284	\$ 228,898	\$ 209,257	\$ 207,334	\$ 181,983	\$ 188,741
Contributions in relation to the contractually required contribution	420,443	386,026	350,181	290,846	288,284	228,898	209,257	207,334	181,983	188,741
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 1,801,385	\$ 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
Contributions as a percentage of covered payroll	23.34%	23.40%	22.78%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

\* 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.

**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 SEVEN FISCAL YEARS\***

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the net OPEB liability (asset)	0.056822%	0.055582%	0.058985%	0.058298%	0.05593%	0.05845%	0.06114%
Employer's proportionate share of the net OPEB liability (asset)	\$ (78,452)	\$ 1,096,918	\$ 1,129,238	\$ 1,407,719	\$ 940,751	\$ 1,037,750	\$ 1,229,023
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
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.76%	71.36%	74.93%	94.24%	66.66%	71.81%	82.69%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	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 for those years for which information is available.

**Notes to Schedule**

The total OPEB liability and net OPEB liability as of June 30, 2024, is based on the June 30, 2022 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2023 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, 2022
Experience study:	July 1, 2018 - June 30, 2022
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
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:	2.50%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.50%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries: System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2023. For disabled members: PUB-2010 Disabled Mortality Table with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Healthcare trend rates:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Post-65).
Changes in plan provisions:	House Bill 506 reinstated the partial lump sum options form of payment for members retiring on or after January 1, 2024. The bill modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems while still receiving their retirement allowance. This standardized the separation period to one month for all plans effective January 1, 2024.
Changes of benefit terms:	None.
Changes of assumptions:	Demographic and economic assumptions were updated based on the 2022 experience study. The single discount rate for non-hazardous changed from 5.70% to 5.93%. The municipal bond rate increased from 3.69% to 3.86%. The healthcare trend rates for Non-Medicare Plans increased from 6.20% to 6.80%, and Medicare Plans were decreased from 9.00% to 8.50% 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.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
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)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 1,801,385	\$ 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	0.00%	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.

**SUPPLEMENTARY INFORMATION**

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<b>Federal Assistance Listing Number</b>	<b>Pass Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b><u>Delta Regional Authority:</u></b>			
Delta Area Economic Development	90.201	N/A	\$ 1,750,000
Total Delta Regional Authority			1,750,000
<b><u>U.S. Department of Treasury:</u></b>			
Passed through Kentucky Infrastructure Authority:			
		21CWS-070	1,082,000
		22CWS-124	207,230
		22CWS-125	169,077
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWS-126 22CWS-127	14,350 30,804
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			1,503,461
Total U.S. Department of Treasury			1,503,461
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 3,253,461</b>

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, 2024**

**Note A - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Paducah McCracken Joint Sewer Agency under programs of the federal government for the year ended June 30, 2024. The information in the 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). Expenditures reported on the Schedule are reported on the accrual basis of accounting and are recognized following the cost principles contained in the Uniform Guidance. 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	\$ 3,253,461
Less: Federal award expenditures above applicable to loan program	-
	3,253,461
 Other grants	 3,000
	 3,000
 TOTAL GRANT REVENUE PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	  <u><u>\$ 3,256,461</u></u>

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Revenues:</b>			
Charges for services	<u>\$10,403,837</u>	<u>\$10,482,250</u>	<u>\$ 78,413</u>
<b>Operating Expenses:</b>			
Salaries, wages, and benefits	2,914,093	2,391,152	522,941
Chemicals, testing, and solids disposal	459,000	464,364	(5,364)
Utilities	976,369	936,847	39,522
Materials, supplies, and repairs	418,850	436,373	(17,523)
Fleet expense	142,300	181,119	(38,819)
Liability insurance	137,000	151,258	(14,258)
Training, safety, and dues	46,150	48,275	(2,125)
Professional fees	93,160	92,865	295
Office expense	18,200	26,601	(8,401)
Public education	5,000	2,493	2,507
Billing and collections	171,418	169,745	1,673
Bad debts	48,500	21,221	27,279
Board of directors expense	16,800	16,800	-
Miscellaneous	16,600	11,706	4,894
Amortization	-	7,931	(7,931)
Depreciation	<u>2,832,801</u>	<u>2,906,979</u>	<u>(74,178)</u>
Total operating expenses	<u>8,296,241</u>	<u>7,865,729</u>	<u>430,512</u>
Operating income	<u>2,107,596</u>	<u>2,616,521</u>	<u>508,925</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment revenue	550,000	874,015	324,015
Gain on sale of asset	-	55,948	55,948
Interest expense	(534,195)	(531,179)	3,016
Amortization	(3,836)	(3,840)	(4)
Tap-on and assessment fees	176,000	255,428	79,428
Other, net	<u>(111,832)</u>	<u>(89,687)</u>	<u>22,145</u>
Total non-operating revenues (expenses), net	<u>76,137</u>	<u>560,685</u>	<u>484,548</u>
Change in net position before capital contributions	<u>2,183,733</u>	<u>3,177,206</u>	<u>993,473</u>
<b>Capital Contributions:</b>			
Grant revenue	-	3,256,461	3,256,461
Contributed capital	<u>-</u>	<u>609,820</u>	<u>609,820</u>
Total capital contributions	<u>-</u>	<u>3,866,281</u>	<u>3,866,281</u>
<b>INCREASE IN NET ASSETS</b>	<u><u>\$ 2,183,733</u></u>	<u><u>\$ 7,043,487</u></u>	<u><u>\$ 4,859,754</u></u>

See independent auditor's report.



**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 years ended June 30, 2024 and 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 September 17, 2024.

**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 or significant deficiencies may exist that were not 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 statements. 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*

Paducah, Kentucky  
September 17, 2024





**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, 2024. 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, 2024.

**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*

Paducah, Kentucky  
September 17, 2024



WILLIAMS  
WILLIAMS  
& LENTZ

**PADUCAH MCCRACKEN JOINT SEWER AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**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 were:

<b>Name</b>	<b>CFDA</b>
Delta Area Economic Development	90.201
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Paducah McCracken Joint Sewer Agency was 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, 2024**

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