

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 04 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

Joint Petition of the Purchase Public Service Corporation and Paducah-McCracken County Joint Sewer Agency to Approve the Transfer of Operation of the Blandville West Subdivision Wastewater Treatment Facilities to Paducah-McCracken County Joint Sewer Agency

1. JURISDICTION

The Kentucky Public Service Commission (PSC) has jurisdiction over this matter pursuant to KRS 278.010 and KRS 278.020(5).

2. PETITIONERS

a. Purchase Public Service Corporation ("PPSC") is a not-for-profit Kentucky corporation, with a post office address of P.O. Box 5100, 1002 Medical Drive, Mayfield Kentucky 42006. PPSC provides wastewater treatment as authorized by the Kentucky Public Service Commission. A copy of PPSC's Articles of Incorporation are of record in Case Number 2012-00212 and incorporated herein by reference.

b. Paducah-McCracken County Joint Sewer Agency ("JSA") is a body politic created by the City of Paducah and McCracken County, Kentucky pursuant to KRS Chapter 76 through the passage of identical enacting ordinances on July 1, 1999. JSA's address is 621 Northview Street, Paducah, Kentucky 42001. A copy of the Enacting Ordinance, is attached hereto, and incorporated herein by reference as Exhibit "A."

3. TRANSFER AGREEMENT

Subject to the approval of the PSC, and other regulatory agencies, PPSC entered into a transfer agreement with JSA, dated August 9, 2013, wherein PPSC agreed to assign and transfer to JSA its wastewater treatment facilities in the Blandville West subdivision in McCracken County, (hereinafter collectively referred to as the "District") consisting of all assets, rights, privileges, debts and liabilities of every nature and wheresoever situated. Provided, however, that PPSC will retain responsibility for decommissioning the wastewater treatment plant. A true and exact copy of said agreement is attached hereto, and incorporated herein by reference as Exhibit "B." A true and exact copy of the resolutions of PPSC and JSA to consummate the transaction contemplated by such transfer agreement are attached hereto, and incorporated herein by reference as Exhibit "C."

The terms and provisions of the transfer agreement are most beneficial to the customers of District. In particular, by virtue of the transfer agreement, the customers of the Districts will realize the following benefits:

a. The transfer agreement provides that JSA will assume full responsibility for operating and maintaining the District's wastewater treatment facilities in the subject subdivisions. Therefore, the customers of District will not only realize a greater revenue base, but also will be accorded the additional

technical expertise and equipment which can be provided to the customers of the District over and above the technical expertise and equipment which PPSC could provide.

4. PPSC PLAN OF OPERATIONS

Upon approval by the PSC, JSA expects to commence operations of the District's wastewater treatment facilities. The transfer of all title and management of District's assets to JSA shall be completed or substantially completed by the commencement date.

5. QUALIFICATIONS TO OPERATE DISTRICT

JSA hereby affirms that it is ready, willing and able to provide water services to the customers of the District. JSA affirmatively states that it has the, "financial, technical, and managerial abilities to provide reasonable service" as required by KRS 278.020(5). In support thereof, please see the following documents, all of which are incorporated herein by reference:

a. JSA currently provides sewer services to customers within Paducah and McCracken County as detailed in Exhibit "E" attached hereto;

b. Audited Financial Statements of JSA for fiscal year 2012 are attached hereto as Exhibit "F".

The joint applicants state that the transfer of the District's wastewater treatment facilities to JSA is genuinely in the public interest, is reasonably necessary for the public convenience, necessity, health, comfort and well-being of the customers currently served in the District, and that JSA can and will operate said facilities as part of its existing system on a sound financial basis.

6. REQUEST FOR EXPEDITED CONSIDERATION

WHEREFORE, the Joint Petitioners pray that the PSC:

1. Approve the transfer of the assets of the District to JSA in accordance with the terms and conditions set forth herein;

2. Provide to the Joint Petitioners such other relief as they may appear to be entitled.

DATED: ~~August~~ ^{September} 3, 2013.

Respectfully Submitted,

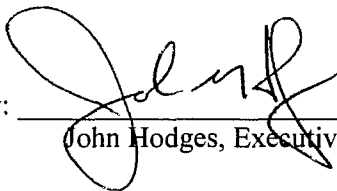
PURCHASE PUBLIC SERVICE CORPORATION

By: _____

Tony Smith, Chairman

PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY

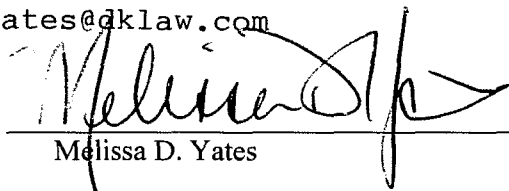
PADUCAH-MCCRACKEN COUNTY JOINT SEWER AGENCY

By: 
John Hodges, Executive Director

And

DENTON & KEULER, LLP

P. O. BOX 929
PADUCAH KY 42002-0929
Telephone: (270) 443-8253
Facsimile: (270) 442-6000
myates@dklaw.com

By: 
Melissa D. Yates

ATTORNEYS FOR THE JOINT APPLICANTS

VERIFICATION

The undersigned states that he has read the foregoing and that same is true to the best of his knowledge, information and belief.

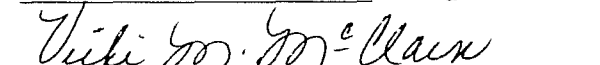

Tony Smith, Chairman, Chairman

STATE OF KENTUCKY)

COUNTY OF MCCRACKEN)

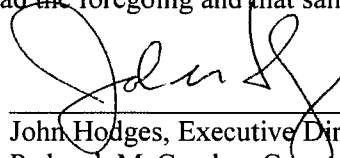
The foregoing instrument was acknowledged before me this 13th day of August, 2013, by Tony Smith, Chairman of the Board of Directors for Purchase Public Service Corporation.

My commission expires: 10-7-16


Notary Public, State at Large

VERIFICATION

The undersigned states that he has read the foregoing and that same is true to the best of his knowledge, information and belief.



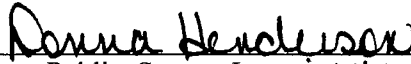
John Hodges, Executive Director,
Paducah McCracken County Joint
Sewer Agency

STATE OF KENTUCKY)

COUNTY OF MCCRACKEN)

The foregoing instrument was acknowledged before me this 14th day of August, 2013,
by John Hodges, Executive Director of McCracken County Joint Sewer Agency.

My commission expires: 6-1-15



Notary Public, State at Large id # 443422

EXHIBIT

A

COMMONWEALTH OF KENTUCKY
McCRACKEN COUNTY FISCAL COURT
ORDINANCE NO. 98-3

AN ORDINANCE OF THE McCracken County Fiscal Court
ESTABLISHING A JOINT SEWER AGENCY

WHEREAS, the legislative bodies of the City of Paducah and McCracken County have established the need to provide a comprehensive wastewater collection and treatment system within McCracken County; and

WHEREAS, the legislative bodies of the City of Paducah and McCracken County have agreed that the need for the aforementioned system would best be administered by a separate legal entity; and

WHEREAS, the legislative bodies of the City of Paducah and McCracken County agree that Board appointments to this entity shall consist of representatives from both the City of Paducah and McCracken County; and

WHEREAS, the legislative bodies of the City of Paducah and McCracken County have selected a joint sewer agency to be the legal entity, as set forth in KRS 76.231, to administer and provide comprehensive wastewater services for Paducah and McCracken County; and

WHEREAS, KRS 76.231 provides for the creation of a joint sewer agency upon the enactment of identical ordinances establishing and setting out the powers of the joint sewer agency by both the legislative bodies of the City of Paducah and McCracken County; and

WHEREAS, in order to establish the joint sewer agency, the City of Paducah and McCracken County have decided to merge into the joint sewer agency Sanitation District No. 5 (Concord), Sanitation

District No. 2 (Lone Oak), the sanitary sewer facilities and operations of Woodlawn Water and Sewer District and Reidland Water-Sewer District, and the sanitary and combined sewer facilities and operations of the City of Paducah Wastewater and Stormwater Utility Division (hereinafter "Existing Agencies").

NOW, THEREFORE, be it ordained by the City of Paducah and McCracken County Fiscal Court, jointly, as follows:

SECTION 1. Establishment of Joint Sewer Agency

In order to provide for the protection of public health, safety, and welfare of its citizens, there is hereby created and established, under and pursuant to the provisions of KRS 76.231, a joint sewer agency (hereinafter "Agency") to own, manage, control, and operate regional comprehensive wastewater facilities within McCracken County. The jurisdiction of the Agency shall include all of McCracken County, including the City of Paducah and the City of Lone Oak.

SECTION 2. Board

(a) The Agency shall be managed by a Board of Directors (hereinafter "Board") consisting of seven (7) persons, one of whom shall be a sitting member of the Paducah City Commission and elected by the Commission, one of whom shall be a sitting member of the McCracken County Fiscal Court and elected by the Fiscal Court, two (2) of whom shall be appointed by the Mayor of the City of Paducah and subject to approval of the City Commission, two (2) of whom shall be appointed by the McCracken County Judge-Executive and subject to approval of the Fiscal Court, and one (1) of whom shall

be jointly appointed by both the Mayor and the County Judge-Executive, subject to the approval of both legislative bodies.

(b) Members of the Board shall be persons of outstanding reputations for ability and integrity, shall be at least 25 years of age, a resident of McCracken County for a period of no less than three years. No person shall be appointed a member of the Board who is related within the third degree to the Mayor, the Judge-Executive, or any member of the governing body of the city or county.

(c) Initial Board appointments shall be as follows: the jointly appointed member shall serve a one (1) year term; the representatives of the McCracken County Fiscal Court and the Paducah City Commission shall serve a two (2) year term; one (1) appointment by each governing body shall serve a two (2) year term; one (1) appointment by each governing body shall serve a three (3) year term. All private sector appointments made at the conclusion of the initial term shall thereafter be for a term of four (4) years, except that the representatives of the McCracken County Fiscal Court and the Paducah City Commission shall serve two (2) year terms.

(d) In the event of a Board vacancy and also at least thirty (30) days preceding the expiration of the term of office of any appointed Board member, a successor shall be appointed by the appropriate government body. However, the incumbent member shall serve until such time as the vacancy has been filled. All vacancies shall be filled for the unexpired term.

(e) Any Board member shall be eligible for reappointment upon expiration of their term; however, no member shall serve more than two consecutive terms.

(f) Any person who shall have held an elective office within McCracken County shall not be eligible for appointment until at least one (1) year after the expiration of the term for which the appointee was elected. Except for the representatives of the legislative bodies on the Board, no employees of the City of Paducah or McCracken County shall be eligible for appointment as a member of the Board.

(g) Each appointed Board member shall be removable for "cause", which shall mean inefficiency, neglect of duty, malfeasance or conflict of interest. Any member of the Board appointed by the Mayor may be removed by the Paducah City Commission, for cause, after hearing by the Paducah City Commission, and after at least ten (10) days' notice in writing shall have been given to the member, specifying the charges against the member. The finding of the Paducah City Commission shall be final and removal results in vacancy in such office. Any member of the Board appointed by the Judge-Executive may be removed by the McCracken County Fiscal Court, for cause, after hearing by the McCracken County Fiscal Court, and after at least ten (10) days' notice in writing shall have been given to the member, specifying the charges against the member. The finding of the McCracken County Fiscal Court shall be final and removal results in vacancy

in such office. A member subjected to removal proceedings may be represented by counsel.

(h) Any appointed Board member failing to attend three (3) regularly-scheduled successive meetings, or a minimum of seventy-five percent (75%) of all meetings within a one year period, without cause acceptable and approved by the Board, shall automatically be removed from office, and the vacancy shall be filled as provided for herein.

(i) Each Board member shall be insured by the Agency against liability for acts and omissions as a member of the Board.

(j) Members of the Board shall be paid Two Hundred Dollars (\$200.00) per month and shall be reimbursed for mileage and out-of-pocket expenses for Agency business conducted outside of McCracken County.

(k) All members of the Board shall be required to comply with any applicable rules, regulations and reporting requirements established by the appropriate city or county ethics commission.

SECTION 3. Fiscal Year

The fiscal year of the Agency shall begin on July 1 of each year and end on June 30 next following.

SECTION 4. Meetings of Board; Quorum

(a) The Board shall meet no less than once per month, and may adopt rules and bylaws for the time and location of their meetings and conduct thereof.

(b) A majority of the members of the Board shall constitute a quorum, and the affirmative majority vote or a minimum of three

(3) affirmative votes shall be required for the adoption of any motion, measure, or resolution.

(c) A permanent record of Board proceedings shall be maintained, and shall be available for inspection as a public record, in accordance with the procedures established in the Kentucky Open Records Act.

SECTION 5. Officers and Employees

(a) The jointly appointed member of the Board shall serve as its Chairperson during the first year, and the members of the Board shall elect from its members a Vice Chairperson. Beginning with the second year and continuing annually thereafter, the members of the Board shall elect the Chairperson and Vice Chairperson. The Chairperson shall preside at all meetings when present, and shall call special meetings on the Chair's own motion or when requested to do so by three (3) other Board members. The Vice Chairperson shall preside at any meeting in which the Chairperson is absent.

(b) The Board shall have the power to employ, fix the compensation of, and discharge at will an Executive Director and/or Chief Engineer, and a Secretary-Treasurer. The Board, through the Executive Director, shall direct, employ, fix the compensation of, and discharge at will any employees of the Agency. The Board shall have the power to establish rules and regulations for all employees of the Agency.

(c) The Board shall require the Executive Director and/or Chief Engineer and Secretary-Treasurer to execute a bond, and may exact from such of its other officers and employees bonds as it

deems expedient. All bonds shall be payable to the Agency in the sums as the Board may fix with approved corporate surety, and premiums therefor shall be paid by the Agency. The bonds shall obligate the makers thereof to faithfully perform the duties of their respective offices and positions and to fully account for and pay over all money, property, or other thing of value of the Agency, which may come into their possession, custody or control.

(d) The Board may also employ, and remove at pleasure, accountants, engineers, legal counsel, professional and technical advisors or services, experts, and other persons, skilled or unskilled, as it deems requisite for the performance of its duties.

(e) The Board shall fix the salaries and compensation of the officers and employees it engages.

(f) No person shall be hired as an employee of the Agency who is related within the third degree to the Mayor, the Judge-Executive, any member of the governing body of the city or the county, any member of the Board, the executive director and/or chief engineer, or the secretary-treasurer.

(g) The Agency may contract with the City of Paducah or McCracken County for financial, engineering, personnel and other services it deems expedient.

SECTION 6. Merger; Agency to Take Over Existing Facilities

(a) After the Agency has organized, obtained approval of the Kentucky Public Service Commission (if required), and made all necessary arrangements to assume or refinance the debts and liabilities of the Existing Agencies, the sanitary and combined

sewer facilities of the Existing Agencies shall be merged into the Agency, together with all contracts, books, maps, plans, papers and records, of whatever description pertaining to or relating to the design, construction, maintenance, operation, and affairs of the Existing Agencies, and shall thereafter be assigned, transferred, and dedicated to the use of and be in possession, and under the jurisdiction, control, and supervision of the Agency. The Existing Agencies shall also assign, transfer and convey to the Agency all property (whether real, personal or mixed), easements, equipment, inventory, accounts receivable, contracts and rights thereunder and causes of action owned by the Existing Agencies. The Agency shall thereafter have complete jurisdiction, control, possession, and supervision, of all sanitary and combined sewer systems and facilities in the City of Paducah and McCracken County.

(b) Upon establishment of the Agency, the Agency shall immediately make a determination of all existing assets, liabilities, easements, personnel, control, management, and authority of the Existing Agencies to be transferred to, and become a part of, the Agency. All Existing Agencies are expected to cooperate fully with the Agency and each Existing Agency shall promptly prepare a comprehensive list of its assets, liabilities, easements, and personnel.

(c) All personnel of the Existing Agencies shall be offered employment by the Agency, and shall retain all existing and accrued benefits, including but not limited to, wages and/or salaries,

vacations, sick leave, years of service and pension investment. All employees of the Agency shall be employees at will.

(d) At such time as the transfer of assets, liabilities, easements, personnel, and authority of the Existing Agencies is complete, the Existing Agencies shall no longer retain any power or authority and shall be dissolved.

(e) In the event that the legislative bodies of the City of Paducah and the McCracken County Fiscal Court decide to dissolve the Agency, all existing assets, liabilities, easements, personnel and authority shall be distributed as stipulated in identical ordinances approved and adopted by both governing bodies.

SECTION 7. General Powers of the Agency

The Agency created under this ordinance is empowered:

(a) To have full and complete jurisdiction, control, possession, and supervision of the sanitary and combined sewer systems in McCracken County, including the maintenance, operation, reconstruction, and improvements to the same as a regional comprehensive sanitary and combined sewer system; to make additions, betterments, and extensions thereto; and to have all the privileges, and jurisdiction necessary or proper for carrying such powers into execution. No enumeration of powers shall operate to restrict the meaning of this general grant of power, or to exclude other powers comprehended within this general grant.

(b) To prepare or cause to be prepared, and to be thereafter revised and adopted, plans, designs, and estimates of costs, of a system of trunk, intercepting, connecting, lateral and outlet

sewers, pumping and ventilating stations, disposal and treatment plants and works, and all other appliances and structures which in the judgment of the Board will provide an effective and advantageous means for relieving McCracken County from inadequate sanitary drainage and from inadequate sanitary disposal and treatment of the sewage thereof, and may take all steps the Board deems proper and necessary.

(c) To construct any additions, betterments and extensions to the facilities of the Agency by contract or under, through, or by means of its own officers, agents and employees.

(d) To establish, construct, operate and maintain, as a part of the sanitary sewer system of the Agency, sewage treatment and disposal plants and systems and all the appurtenances and appliances thereunto belonging. The sewage treatment and disposal plants may be located anywhere the Board deems expedient.

(e) To acquire and hold the personal property the Board deems necessary and proper for carrying out the corporate purposes of the Agency, and to dispose of personal property when the Agency has no further need therefor.

(f) To acquire by purchase, gift, lease, or by condemnation, real property or any interest, right, easement, or privilege therein, as the Board determines necessary, proper and convenient for the purposes of the Agency, and to use the same so long as the Agency's existence continues. Condemnation proceedings may be instituted in the name of the Agency pursuant to a resolution of the Board declaring the necessity for the taking, and the method of

condemnation shall be the same as provided in the Eminent Domain Act of Kentucky. When the Board by resolution declares that any real property which it has acquired, or any interest therein, is no longer necessary or useful to the Agency, the real property and interest therein may be disposed of. If any property to be disposed of has been acquired by condemnation and has not been used by the Agency for the purpose condemned, the Agency shall first offer to sell the property back to the original owner for its then-existing fair market value.

(g) To make bylaws, regulations and agreements for the management and regulation of its affairs and for the regulation of the use of property under its control, including the power to establish pretreatment regulations.

(h) To make contracts and execute all instruments necessary or convenient in the premises.

(i) To recommend and initiate all user charges adequate to meet the projected revenue requirements necessary to maintain and operate the complete sanitary and combined sewer collection system and treatment facilities in a manner that complies with federal and state requirements.

(j) To borrow money and issue negotiable revenue bonds to provide for the rights of the holders thereof, and to assume existing financial obligations of any of the Existing Agencies.

(k) To enter any lands, waters, and premises for the purpose of making surveys, soundings and examinations.

(l) To require payment by customers for wastewater service provided and tap-on fees.

(m) To discontinue service for non-payment and to make agreements with water service providers for the discontinuance of water service to delinquent customers.

(n) To approve or revise the plans and designs of all wastewater treatment facilities proposed to be constructed, altered, or reconstructed, including but not limited to, sewer lines and pump stations, by any other person or corporation, public or private, within McCracken County, in order to insure that such proposed construction, alteration, or reconstruction shall conform to, and be a part of, a comprehensive wastewater plan for McCracken County. No construction or extensions in the City of Paducah shall be started until, firstly, the City Engineer, and secondly, the Agency have approved the plans. No construction or extensions in McCracken County outside the City of Paducah shall be started until, firstly, the County Engineer, and secondly, the Agency have approved the plans. These projects shall also be subject to inspection and supervision by the Agency.

(o) To prepare a budget annually for wastewater activities, effective beginning with fiscal year July 1, 1999.

SECTION 8. Privately Constructed Sewers to be Approved

(a) Any person or corporation, public or private, in McCracken County shall submit for approval plans and designs for sanitary sewers to be constructed by written application to the Agency.

(b) An application for approval of plans or designs of sanitary sewers to be constructed shall be referred by the Agency to the City Engineer or County Engineer, as determined by the area of jurisdiction for which the project is proposed, for approval. After approval by the appropriate engineer, the Agency shall have the right to examine, inspect and investigate the sufficiency of the proposed facilities to serve the purposes intended, and to establish and make reasonable charges for such services as may be required to make such investigation.

(c) The construction of any sanitary sewer facilities shall be subject to inspection and supervision by the Agency to assure the protection of public health and the proper completion of such facility for the purposes intended, and the Agency shall charge for such inspection and supervision on the basis of the actual cost of inspection plus a reasonable additional cost of supervision.

SECTION 9. Rates and Charges; Use of Funds of Agency; Cutting Off Sewer and Water Service to Delinquents

(a) The existing user rates and charges as established by the Existing Agencies shall be adopted by the Agency. All user rates and charges to be collected from all the real property within McCracken County served by facilities of the Agency shall remain in effect until such time as an adjustment thereof has been approved by the Paducah City Commission and McCracken County Fiscal Court. Notwithstanding the foregoing, all tap-on fees previously established by the Existing Agencies on existing sewer lines at the time the Agency is created shall not be changed. Any proposed

adjustments of the schedule of rates and charges shall be recommended by the Agency at a joint meeting of the Paducah City Commission and McCracken County Fiscal Court. The Paducah City Commission and McCracken County Fiscal Court shall approve or disapprove all rate changes recommended by the Agency by majority vote of each body. Neither the Paducah City Commission nor the McCracken County Fiscal Court shall have the authority to initiate rate changes. If for any reason the Paducah City Commission and McCracken County Fiscal Court cannot agree to amendments to a rate schedule, the current schedule shall remain in effect until such time as an agreement can be reached.

The schedule of rates and charges may be based upon either:

(i) the consumption of water on premises connected with the facilities, taking into consideration commercial and industrial use of water; or

(ii) the number and kind of plumbing fixtures connected with the facilities; or

(iii) the number of persons served by the facilities; or

(iv) may be determined by the Agency on any other basis or classification which the Agency determines to be fair and reasonable, whether similar or dissimilar to those enumerated, except that the schedule shall be equitable for all residential property; or

(v) any combination thereof.

This schedule may include additional charges for treatment of sewage, with a surcharge where the sewage contains industrial waste

or other waste in excess of limitations established by the regulations of the Agency.

(b) Prior to modification of the schedule of rates and charges, the Agency shall adopt a proposed schedule and publish notice thereof pursuant to KRS Chapter 424. The notice so published shall be dated as of the date of first publication thereof and shall state that the proposed or revised schedule of rates and charges will remain open for inspection in the office of the Agency for thirty (30) days from the date of the notice, and that objections thereto in writing may be filed during that period with the Agency by any person aggrieved thereby. The Board shall examine and hear any and all complaints, may modify the proposed schedule, and may recommend to the Paducah City Commission and McCracken County Fiscal Court a final schedule within sixty (60) days after the date of the notice. The schedule so adopted and established shall thereafter be the rates and charges for the use of the facilities of the Agency by users within McCracken County until changed in the manner provided herein. The schedule of rates and charges shall be established and revised from time to time so as to produce aggregate revenues to the Agency sufficient:

(i) for the payment of interest on and principal of all revenue bonds and other obligations of the Agency;

(ii) for the payment of all costs and expenses of operating and maintaining the sewer system of the Agency, including but not limited to that portion of the salaries, wages, and fees of all officers and employees of the Agency; and

(iii) for the payment of all costs of renewals and replacement of such system within McCracken County; provided, however, that all expenses, salaries, wages, and fees necessary or incident to improvements for the account of which bonds are issued or other indebtedness incurred may be included as a part of the cost of the improvements and paid from the proceeds of the bonds or other indebtedness.

The use of all monies of the Agency received from any and all sources shall be limited exclusively and devoted solely to the payment of all obligations of the Agency and no funds from any sources shall be diverted to any other purposes than those described in this ordinance.

(c) Whenever any sewer rates or charges for services rendered remain unpaid for a period of thirty (30) days after the same becomes due and payable, the Agency shall declare the property, the owner thereof, and the user of the service, delinquent until such time as all rates and charges are fully paid, and may cut off the sewer connection and service. The Agency may enter into agreements with any water company or water service, public or private, providing for the discontinuance of water service to delinquents.

SECTION 10. Power to Acquire Land

(a) The Agency shall have the power to acquire by purchase, gift, or eminent domain proceedings, the fee or such right, title, interest or easement, in such lands as may be deemed by the Agency necessary for any of the purposes mentioned in this ordinance, and any personal property necessary for the purpose of the Agency.

Such lands or interests therein, or personal property may be so acquired whether or not the same are owned or held for public use by corporations, associations, or other persons having the power of eminent domain, or otherwise held or used for public purposes. Forthwith upon the acquisition of any such fee, right, title, interest or easement, or personal property, the same shall become dedicated to the uses and purposes of the Agency.

(b) The method of condemnation of such property shall be pursuant to the Eminent Domain Act of Kentucky.

(c) When the Agency has filed a proceeding to condemn land or any interest therein, or personal property, pursuant to the provisions of the Eminent Domain Act of Kentucky, and the Board shall determine that the necessity for procuring possession of the property is urgent, it may pass a resolution, at the time that said condemnation is authorized or at any time thereafter for a declaration of taking, declaring that said lands are to be taken for the use of the Agency. Said declaration of taking shall contain, or have annexed thereto, the following:

(i) a statement of the authority under which and, the public use for which, said lands are taken;

(ii) a description of the lands taken sufficient for identification thereof;

(iii) a statement of the estate or interest in said lands taken for said public use; and

(iv) a plat showing the lands taken.

(d) At any time after the report of the Commissioners has been made, the Agency may file said declaration of taking and make a deposit with the Clerk of the Court of the sum of money stated in the award of the Commissioners appointed. Title to said lands in fee simple or such lesser estate as is specified in said declaration or to said personal property shall then vest in the Agency, and the right to just compensation for said land or interest therein or personal property shall vest in the persons entitled thereto. Said compensation shall be ascertained and awarded in said proceeding as otherwise provided in the Eminent Domain Act of Kentucky.

SECTION 11. Agency Revenue Bonds

(a) The Agency may, from time to time, issue its negotiable interest-bearing revenue bonds for any of its corporate purposes, and it may also, from time to time, issue its negotiable interest-bearing revenue bonds to refund any of its bonds at maturity or pursuant to redemption provisions, or at any time before maturity with the consent of the holders. All the bonds, including interest, are payable solely from and secured only by the revenues of the Agency realized through the collection of rates or other charges, imposed for use of the facilities of the Agency. The bonds shall be authorized by resolution of the Board and shall bear the dates, mature at the times not exceeding forty (40) years from their respective dates, bear interest at the rate or rates, or method of determining rates, payable at least annually, be in the denominations and form, either coupon or registered, carry the

registration privileges, be executed in the manner, be payable in the medium of payment at the place, and be subject to the terms of redemption, with or without premium, as the resolutions provide. The bonds shall be sold at public sale for the price the Board determines.

(b) Any resolution authorizing any bonds may contain provisions which shall be a part of the contract with the holders of the bonds as to:

(i) pledging all or any part of the gross or net revenues of the Agency to secure the payment of the bonds and interest on the bonds;

(ii) the amounts to be raised in each year by rates and charges, and their use and disposition, and of any other revenues of the Agency;

(iii) the setting aside of reserves or sinking funds and their regulation and disposition;

(iv) limitations on the right of the Agency to restrict and regulate the use of its facilities;

(v) limitations on the purposes to which the proceeds of sale of any issue of bonds to be issued may be applied;

(vi) limitations on the issuance of additional bonds; and

(vii) the procedure, if any, by which the term of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent, and the manner in which the consent may be given.

(c) The bonds or other obligations of the Agency shall not constitute an obligation or indebtedness of the City of Paducah or of McCracken County and it shall be plainly stated on the face of each bond of the Agency that it has been issued under the provisions of this ordinance, and that it does not constitute an indebtedness of the City of Paducah or McCracken County. All bonds authorized may be issued without a vote of the voters and without any other proceedings or happenings of any other conditions or things than those proceedings, conditions and things described herein. The bonds shall be signed in the name of the Agency by the chairperson or vice chairperson of the Board, and attested by the signature of the secretary-treasurer.

SECTION 12. Enforcement of Rights of Bondholders

(a) In the event the Agency shall default in the payment of principal or interest on any of the revenue bonds issued pursuant to this ordinance after the said principal or interest shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days, or in the event that the Agency shall default in any agreement made with the holders of the bonds, the holders of twenty percent (20%) in aggregate principal amount of the bonds then outstanding, by instrument or instruments filed in the office of the McCracken County Court Clerk and approved or acknowledged in the same manner as a deed to be recorded, may apply to a judge of the McCracken Circuit Court to appoint a trustee to represent all of the bondholders for the purposes herein provided. Upon such

application the judge shall appoint a trustee and such trustee may, and upon written request of holders of twenty percent (20%) in principal amount of the bonds of the Agency then outstanding shall, (1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the bondholders, including but not limited to the right to require the Agency to collect rates and other charges, adequate to carry out any agreement as to, or pledge of, the revenues of the Agency and to require the Agency and its officers to carry out any other agreement with the bondholders and to perform its and their duties; (2) bring suit upon the bonds; (3) by action or suit in equity, require the Agency to account as if it were the trustee of an express trust for the bondholders; (4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of bondholders; (5) declare all bonds due and payable, and if all defaults shall be made good then to annul such declaration and its consequences.

(b) Any such trustee shall be entitled as of right, upon application to the judge, to the appointment of a receiver, who may enter upon and take possession of the facilities of the Agency, or any part or parts thereof, and operate and maintain the same, and collect and receive all rates and charges and other revenues of the Agency, thereafter arising therefrom, in the same manner as the Agency and its officers might do, and shall deposit all monies in a separate account and apply the same in such manner as the court shall direct. In any suit, action, or proceeding, by the trustee, the fees, the counsel fees, and expenses of the trustee and of the

receiver shall constitute disbursements taxable as costs. All costs and disbursements allowed by the court shall be a first charge on any revenue derived from the facilities of the Agency. Such trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any function specifically set forth herein or incident to the general representation of the bondholders and the enforcement and protection of their rights.

SECTION 13. Apportionment of Construction Costs

(a) A resolution of the Board providing for the construction of sewerage facilities and appurtenances shall describe the nature and kind of facilities to be furnished and shall describe the particular area to be benefitted by said sewerage facilities.

(b) The costs of the sanitary sewers and appurtenances shall be assessed against the land in the benefitted area. The square foot method, the front foot method, the equivalent residential unit method, or any other equitable basis may be used for determining the assessment. No property which has been assessed for collector lines shall be reassessed for the installation or reinstallation of collector lines.

(c) The costs of property service connections from the sewer to the property line or easement line as required shall be assessed against the individual lots or tracts to which such property service connections are furnished. The costs to be assessed for the property service connections shall be fixed by regulation of the Agency based on its experience of costs for such work.

(d) All land included in the benefitted area shall be assessed, except public roadways and property owned by the city or county.

(e) When the Board determines that construction of sanitary sewers and appurtenances or property service connections at the cost of the property owner shall be necessary, the Agency shall cause its engineers to prepare complete drawings and specifications for the work and to keep same available for inspection in its offices.

(f) The actual construction work of the sanitary sewers and appurtenances shall be done by, or under the control of, the Agency. The cost of the sanitary sewers and appurtenances or property service connections shall include not only the actual construction cost and the cost of any easements required for the sewers, but also cost of surveys, designs, plans, specifications, advertising, inspection and administration; provided, however, these additional costs shall not exceed fifteen percent (15%) of the actual construction cost of the project.

(g) A lien superior to all liens except the liens for state, county, city, school and road taxes and liens prior in time for other public improvements shall exist against the respective lots or tracts of land for the cost of the sanitary sewers, appurtenances or property service connections for apportionment as provided herein, plus interest thereon at the rate of six percent (6%) per annum.

(h) If sanitary sewers, appurtenances or property service connections are constructed as provided in the resolution, the Agency shall not be liable for the cost of the sanitary sewers, appurtenances or property service connections and shall have the right to enforce such costs against the property receiving the benefit.

(i) Upon completion and acceptance of the sewer facility constructed, the Agency shall make out all apportionment warrants for which liens are given for improvements of sewer facilities and shall immediately enter them in alphabetical order upon a register kept for that purpose. When the holder of the warrant has obtained payment, such holder shall notify the Agency and the Agency shall mark upon the register the fact of payment.

(j) The lien shall exist from the date of the apportionment warrant, but a lien shall not be valid against a purchaser for a valuable consideration without notice, unless the apportionment warrant is entered and registered within ten (10) days of its issuance.

(k) After any sewer facilities have been constructed, the Agency shall give notice by publication pursuant to KRS Chapter 424 of the costs apportioned, and the amounts assessed and levied on the various tracts of land liable for the payment.

SECTION 14. Combined Sewers

(a) All facilities in the City of Paducah that are a combination of wastewater and stormwater sewers shall be included in the assets transferred to the Agency.

(b) The Agency shall have the responsibility to maintain all combined sewer system facilities in the City of Paducah. The combined sewer system facilities visible on the surface, (such as inlets, grates, inlet throats, open-ended pipes, surface ditches, surface drainages, etc.), and the connector pipe to the combined sewer main shall be maintained by the City of Paducah.

(c) The Agency shall be responsible for compliance with all environmental regulations and requirements for combined sewer overflow established by the Commonwealth of Kentucky.

SECTION 15. Coordination of Operations with Other Agencies

(a) The Agency shall take all necessary efforts and make all necessary agreements with the City of Paducah to establish procedures for coordinating the use and operation of all flood control pump stations used when the Ohio River reaches flood stage.

(b) The facilities that constitute the City of Paducah flood control system shall not be part of the assets transferred to the Agency and shall remain the property of the City of Paducah.

(c) The Agency shall coordinate with the City of Paducah the operation of the compost facility operated by the City of Paducah and make such agreements as may be necessary for the disposal of sludge generated by the operations of the Agency.

(d) The Agency may enter into an agreement with the City of Paducah and McCracken County to provide necessary maintenance of storm sewers.

SECTION 16. Appeal Process

(a) Any entity or person, other than employees of the Agency, aggrieved by any final action of the Agency may appeal from said action to a grievance committee which shall be composed of one member of the McCracken County Fiscal Court selected by the McCracken County Fiscal Court and one member of the Paducah City Commission selected by the Paducah City Commission, and the two members thus appointed shall jointly select a third person to serve on the committee. The representatives of the legislative bodies shall not be the same representatives who are then sitting on the Board of the Agency. The aggrieved person and the Agency shall be allowed to appear before the grievance committee to state their position. The grievance committee may modify, sustain, or overrule the action taken by the Agency.

(b) Appeals by the aggrieved party shall be made in writing by filing the appeal with the Secretary-Treasurer of the Agency thirty (30) days after the decision of the Agency. All decisions which have not been appealed within thirty (30) days shall become final.

SECTION 17. Additional Authority

McCracken County Fiscal Court and the City of Paducah, within their respective jurisdictions, shall have the authority to establish with sufficient funding, a separate and independent stormwater utility by separate ordinance, under the management and control of the Agency.

SECTION 18. Effective Date

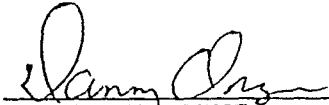
This ordinance shall become effective immediately upon passage and publication.

SECTION 19. Name of Agency

The name of the Agency shall be the "Paducah-McCracken County Sewer Agency," in which name it may act in accordance with the powers set forth in this ordinance.

INTRODUCED AND PUBLICLY READ ON FIRST READING, this the 17th
August
day of ~~July~~, 1998.

PUBLICLY READ, ADOPTED AND APPROVED ON SECOND READING, this
September
the 14th day of ~~August~~, 1998.



DANNY ORAZINE
MCCRACKEN COUNTY JUDGE-EXECUTIVE

ATTEST:



MCCRACKEN COUNTY COURT CLERK

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting McCracken County Court Clerk, McCracken County, Kentucky, and as such McCracken County Court Clerk I further certify that the foregoing is a true, correct and complete copy of an Ordinance duly adopted by the Fiscal Court of the County of McCracken, Kentucky, on the 14th day of September, 1998, on the same occasion signed by the McCracken County Court Clerk as evidence of the approval thereof, and now in full force and effect, all as appears from the official records of the County in my possession and under my control.

WITNESS my hand and the Seal of the County of McCracken, as of the 15 day of Sept, 1998.



MCCRACKEN COUNTY COURT CLERK

(SEAL)

COMMONWEALTH OF KENTUCKY
CITY OF PADUCAH
ORDINANCE NO. 98-8-5927

AN ORDINANCE OF THE PADUCAH CITY COMMISSION
ESTABLISHING A JOINT SEWER AGENCY

WHEREAS, the legislative bodies of the City of Paducah and McCracken County have established the need to provide a comprehensive wastewater collection and treatment system within McCracken County; and

WHEREAS, the legislative bodies of the City of Paducah and McCracken County have agreed that the need for the aforementioned system would best be administered by a separate legal entity; and

WHEREAS, the legislative bodies of the City of Paducah and McCracken County agree that Board appointments to this entity shall consist of representatives from both the City of Paducah and McCracken County; and

WHEREAS, the legislative bodies of the City of Paducah and McCracken County have selected a joint sewer agency to be the legal entity, as set forth in KRS 76.231, to administer and provide comprehensive wastewater services for Paducah and McCracken County; and

WHEREAS, KRS 76.231 provides for the creation of a joint sewer agency upon the enactment of identical ordinances establishing and setting out the powers of the joint sewer agency by both the legislative bodies of the City of Paducah and McCracken County; and

WHEREAS, in order to establish the joint sewer agency, the City of Paducah and McCracken County have decided to merge into the joint sewer agency Sanitation District No. 5 (Concord), Sanitation District No. 2 (Lone Oak), the sanitary sewer facilities and operations of Woodlawn Water and Sewer District and Reidland Water-Sewer District, and the sanitary and combined sewer facilities and operations of the City of Paducah Wastewater and Stormwater Utility Division (hereinafter "Existing Agencies").

NOW, THEREFORE, be it ordained by the City of Paducah and McCracken County Fiscal Court, jointly, as follows:

SECTION 1. Establishment of Joint Sewer Agency

In order to provide for the protection of public health, safety, and welfare of its citizens, there is hereby created and established, under and pursuant to the provisions of KRS 76.231, a joint sewer agency (hereinafter "Agency") to own, manage, control, and operate regional comprehensive wastewater facilities within McCracken County. The jurisdiction of the Agency shall include all of McCracken County, including the City of Paducah and the City of Lone Oak.

SECTION 2. Board

(a) The Agency shall be managed by a Board of Directors (hereinafter "Board") consisting of seven (7) persons, one of whom shall be a sitting member of the Paducah City Commission and elected by the Commission, one of whom shall be a sitting member of the McCracken County Fiscal Court and elected by the Fiscal Court, two (2) of whom shall be appointed by the Mayor of the City of Paducah and subject to approval of the City Commission, two (2) of whom shall be appointed by the McCracken County Judge-Executive and subject to approval of the Fiscal Court, and one (1) of whom shall be jointly appointed by both the Mayor and the County Judge-Executive, subject to the approval of both legislative bodies.

(b) Members of the Board shall be persons of outstanding reputations for ability and integrity, shall be at least 25 years of age, a resident of McCracken County for a period of no less than three years. No person shall be appointed a member of the Board who is related within the third degree to the Mayor, the Judge-Executive, or any member of the governing body of the city or county.

(c) Initial Board appointments shall be as follows: the jointly appointed member shall serve a one (1) year term; the representatives of the McCracken County Fiscal Court and the Paducah City Commission shall serve a two (2) year term; one (1) appointment by each governing body shall serve a two (2) year term; one (1) appointment by each governing body shall serve a three (3) year term. All private sector appointments made at the conclusion

of the initial term shall hereafter be for a term of four (4) years, except that the representatives of the McCracken County Fiscal Court and the Paducah City Commission shall serve two (2) year terms.

(d) In the event of a Board vacancy and also at least thirty (30) days preceding the expiration of the term of office of any appointed Board member, a successor shall be appointed by the appropriate government body. However, the incumbent member shall serve until such time as the vacancy has been filled. All vacancies shall be filled for the unexpired term.

(e) Any Board member shall be eligible for reappointment upon expiration of their term; however, no member shall serve more than two consecutive terms.

(f) Any person who shall have held an elective office within McCracken County shall not be eligible for appointment until at least one (1) year after the expiration of the term for which the appointee was elected. Except for the representatives of the legislative bodies on the Board, no employees of the City of Paducah or McCracken County shall be eligible for appointment as a member of the Board.

(g) Each appointed Board member shall be removable for "cause", which shall mean inefficiency, neglect of duty, malfeasance or conflict of interest. Any member of the Board appointed by the Mayor may be removed by the Paducah City Commission, for cause, after hearing by the Paducah City Commission, and after at least ten (10) days' notice in writing shall have been given to the member, specifying the charges against the member. The finding of the Paducah City Commission shall be final and removal results in vacancy in such office. Any member of the Board appointed by the Judge-Executive may be removed by the McCracken County Fiscal Court, for cause, after hearing by the McCracken County Fiscal Court, and after at least ten (10) days' notice in writing shall have been given to the member, specifying the charges against the member. The finding of the McCracken County Fiscal Court shall be final and removal results in vacancy

in such office. A member subjected to removal proceedings may be represented by counsel.

(h) Any appointed Board member failing to attend three (3) regularly-scheduled successive meetings, or a minimum of seventy-five percent (75%) of all meetings within a one year period, without cause acceptable and approved by the Board, shall automatically be removed from office, and the vacancy shall be filled as provided for herein.

(i) Each Board member shall be insured by the Agency against liability for acts and omissions as a member of the Board.

(j) Members of the Board shall be paid Two Hundred Dollars (\$200.00) per month and shall be reimbursed for mileage and out-of-pocket expenses for Agency business conducted outside of McCracken County.

(k) All members of the Board shall be required to comply with any applicable rules, regulations and reporting requirements established by the appropriate city or county ethics commission.

SECTION 3. Fiscal Year

The fiscal year of the Agency shall begin on July 1 of each year and end on June 30 next following.

SECTION 4. Meetings of Board; Quorum

(a) The Board shall meet no less than once per month, and may adopt rules and bylaws for the time and location of their meetings and conduct thereof.

(b) A majority of the members of the Board shall constitute a quorum, and the affirmative majority vote of a minimum of three (3) affirmative votes shall be required for the adoption of any motion, measure, or resolution.

(c) A permanent record of Board proceedings shall be maintained, and shall be available for inspection as a public record, in accordance with the procedures established in the Kentucky Open Records Act.

SECTION 5. Officers and Employees

(a) The jointly appointed member of the Board shall serve as its Chairperson during the first year, and the members of the Board

shall elect from its members a Vice Chairperson. Beginning with the second year and continuing annually thereafter, the members of the Board shall elect the Chairperson and Vice Chairperson. The Chairperson shall preside at all meetings when present, and shall call special meetings on the Chair's own motion or when requested to do so by three (3) other Board members. The Vice Chairperson shall preside at any meeting in which the Chairperson is absent.

(b) The Board shall have the power to employ, fix the compensation of, and discharge at will an Executive Director and/or Chief Engineer, and a Secretary-Treasurer. The Board, through the Executive Director, shall direct, employ, fix the compensation of, and discharge at will any employees of the Agency. The Board shall have the power to establish rules and regulations for all employees of the Agency.

(c) The Board shall require the Executive Director and/or Chief Engineer and Secretary-Treasurer to execute a bond, and may exact from such of its other officers and employees bonds as it deems expedient. All bonds shall be payable to the Agency in the sums as the Board may fix with approved corporate surety, and premiums therefor shall be paid by the Agency. The bonds shall obligate the makers thereof to faithfully perform the duties of their respective offices and positions and to fully account for and pay over all money, property, or other thing of value of the Agency, which may come into their possession, custody or control.

(d) The Board may also employ, and remove at pleasure, accountants, engineers, legal counsel, professional and technical advisors or services, experts, and other persons, skilled or unskilled, as it deems requisite for the performance of its duties.

(e) The Board shall fix the salaries and compensation of the officers and employees it engages.

(f) No person shall be hired as an employee of the Agency who is related within the third degree to the Mayor, the Judge-Executive, any member of the governing body of the city or the county, any member of the Board, the executive director and/or chief engineer, or the secretary-treasurer.

(g) The Agency may contract with the City of Paducah or McCracken County for financial, engineering, personnel and other services it deems expedient.

SECTION 6. Merger; Agency to Take Over Existing Facilities

(a) After the Agency has organized, obtained approval of the Kentucky Public Service Commission (if required), and made all necessary arrangements to assume or refinance the debts and liabilities of the Existing Agencies, the sanitary and combined sewer facilities of the Existing Agencies shall be merged into the Agency, together with all contracts, books, maps, plans, papers and records, of whatever description pertaining to or relating to the design, construction, maintenance, operation, and affairs of the Existing Agencies, and shall thereafter be assigned, transferred, and dedicated to the use of and be in possession, and under the jurisdiction, control, and supervision of the Agency. The Existing Agencies shall also assign, transfer and convey to the Agency all property (whether real, personal or mixed), easements, equipment, inventory, accounts receivable, contracts and rights thereunder and causes of action owned by the Existing Agencies. The Agency shall thereafter have complete jurisdiction, control, possession, and supervision, of all sanitary and combined sewer systems and facilities in the City of Paducah and McCracken County.

(b) Upon establishment of the Agency, the Agency shall immediately make a determination of all existing assets, liabilities, easements, personnel, control, management, and authority of the Existing Agencies to be transferred to, and become a part of, the Agency. All Existing Agencies are expected to cooperate fully with the Agency and each Existing Agency shall promptly prepare a comprehensive list of its assets, liabilities, easements, and personnel.

(c) All personnel of the Existing Agencies shall be offered employment by the Agency, and shall retain all existing and accrued benefits, including but not limited to, wages and/or salaries, vacations, sick leave, years of service and pension investment. All employees of the Agency shall be employees at will.

(d) At such time as the transfer of assets, liabilities, easements, personnel; and authority of the Existing Agencies is complete, the Existing Agencies shall no longer retain any power or authority and shall be dissolved.

(e) In the event that the legislative bodies of the City of Paducah and the McCracken County Fiscal Court decide to dissolve the Agency, all existing assets, liabilities, easements, personnel and authority shall be distributed as stipulated in identical ordinances approved and adopted by both governing bodies.

SECTION 7. General Powers of the Agency

The Agency created under this ordinance is empowered:

(a) To have full and complete jurisdiction, control, possession, and supervision of the sanitary and combined sewer systems in McCracken County, including the maintenance, operation, reconstruction, and improvements to the same as a regional comprehensive sanitary and combined sewer system; to make additions, betterments, and extensions thereto; and to have all the privileges, and jurisdiction necessary or proper for carrying such powers into execution. No enumeration of powers shall operate to restrict the meaning of this general grant of power, or to exclude other powers comprehended within this general grant.

(b) To prepare or cause to be prepared, and to be thereafter revised and adopted, plans, designs, and estimates of costs, of a system of trunk, intercepting, connecting, lateral and outlet sewers, pumping and ventilating stations, disposal and treatment plants and works, and all other appliances and structures which in the judgment of the Board will provide an effective and advantageous means for relieving McCracken County from inadequate sanitary drainage and from inadequate sanitary disposal and treatment of the sewage thereof, and may take all steps the Board deems proper and necessary.

(c) To construct any additions, betterments and extensions to the facilities of the Agency by contract or under, through, or by means of its own officers, agents and employees.

(d) To establish, construct, operate and maintain, as a part of the sanitary sewer system of the Agency, sewage treatment and disposal plants and systems and all the appurtenances and appliances thereunto belonging. The sewage treatment and disposal plants may be located anywhere the Board deems expedient.

(e) To acquire and hold the personal property the Board deems necessary and proper for carrying out the corporate purposes of the Agency, and to dispose of personal property when the Agency has no further need therefor.

(f) To acquire by purchase, gift, lease, or by condemnation, real property or any interest, right, easement, or privilege therein, as the Board determines necessary, proper and convenient for the purposes of the Agency, and to use the same so long as the Agency's existence continues. Condemnation proceedings may be instituted in the name of the Agency pursuant to a resolution of the Board declaring the necessity for the taking, and the method of condemnation shall be the same as provided in the Eminent Domain Act of Kentucky. When the Board by resolution declares that any real property which it has acquired, or any interest therein, is no longer necessary or useful to the Agency, the real property and interest therein may be disposed of. If any property to be disposed of has been acquired by condemnation and has not been used by the Agency for the purpose condemned, the Agency shall first offer to sell the property back to the original owner for its then-existing fair market value.

(g) To make bylaws, regulations and agreements for the management and regulation of its affairs and for the regulation of the use of property under its control, including the power to establish pretreatment regulations.

(h) To make contracts and execute all instruments necessary or convenient in the premises.

(i) To recommend and initiate all user charges adequate to meet the projected revenue requirements necessary to maintain and operate the complete sanitary and combined sewer collection system

and treatment facilities in a manner that complies with federal and state requirements:

(j) To borrow money and issue negotiable revenue bonds to provide for the rights of the holders thereof, and to assume existing financial obligations of any of the Existing Agencies.

(k) To enter any lands, waters, and premises for the purpose of making surveys, soundings and examinations.

(l) To require payment by customers for wastewater service provided and tap-on fees.

(m) To discontinue service for non-payment and to make agreements with water service providers for the discontinuance of water service to delinquent customers.

(n) To approve or revise the plans and designs of all wastewater treatment facilities proposed to be constructed, altered, or reconstructed, including but not limited to, sewer lines and pump stations, by any other person or corporation, public or private, within McCracken County, in order to insure that such proposed construction, alteration, or reconstruction shall conform to, and be a part of, a comprehensive wastewater plan for McCracken County. No construction or extensions in the City of Paducah shall be started until, firstly, the City Engineer, and secondly, the Agency have approved the plans. No construction or extensions in McCracken County outside the City of Paducah shall be started until, firstly, the County Engineer, and secondly, the Agency have approved the plans. These projects shall also be subject to inspection and supervision by the Agency.

(o) To prepare a budget annually for wastewater activities, effective beginning with fiscal year July 1, 1999.

SECTION 8. Privately Constructed Sewers to be Approved

(a) Any person or corporation, public or private, in McCracken County shall submit for approval plans and designs for sanitary sewers to be constructed by written application to the Agency.

(b) An application for approval of plans or designs of sanitary sewers to be constructed shall be referred by the Agency

to the City Engineer or County Engineer, as determined by the area of jurisdiction for which the project is proposed, for approval. After approval by the appropriate engineer, the Agency shall have the right to examine, inspect and investigate the sufficiency of the proposed facilities to serve the purposes intended, and to establish and make reasonable charges for such services as may be required to make such investigation.

(c) The construction of any sanitary sewer facilities shall be subject to inspection and supervision by the Agency to assure the protection of public health and the proper completion of such facility for the purposes intended, and the Agency shall charge for such inspection and supervision on the basis of the actual cost of inspection plus a reasonable additional cost of supervision.

SECTION 9. Rates and Charges; Use of Funds of Agency; Cutting Off Sewer and Water Service to Delinquents

(a) The existing user rates and charges as established by the Existing Agencies shall be adopted by the Agency. All user rates and charges to be collected from all the real property within McCracken County served by facilities of the Agency shall remain in effect until such time as an adjustment thereof has been approved by the Paducah City Commission and McCracken County Fiscal Court. Notwithstanding the foregoing, all tap-on fees previously established by the Existing Agencies on existing sewer lines at the time the Agency is created shall not be changed. Any proposed adjustments of the schedule of rates and charges shall be recommended by the Agency at a joint meeting of the Paducah City Commission and McCracken County Fiscal Court. The Paducah City Commission and McCracken County Fiscal Court shall approve or disapprove all rate changes recommended by the Agency by majority vote of each body. Neither the Paducah City Commission nor the McCracken County Fiscal Court shall have the authority to initiate rate changes. If for any reason the Paducah City Commission and McCracken County Fiscal Court cannot agree to amendments to a rate schedule, the current schedule shall remain in effect until such time as an agreement can be reached.

The schedule of rates and charges may be based upon either:

(i) the consumption of water on premises connected with the facilities, taking into consideration commercial and industrial use of water; or

(ii) the number and kind of plumbing fixtures connected with the facilities; or

(iii) the number of persons served by the facilities; or

(iv) may be determined by the Agency on any other basis or classification which the Agency determines to be fair and reasonable, whether similar or dissimilar to those enumerated, except that the schedule shall be equitable for all residential property; or

(v) any combination thereof.

This schedule may include additional charges for treatment of sewage, with a surcharge where the sewage contains industrial waste or other waste in excess of limitations established by the regulations of the Agency.

(b) Prior to modification of the schedule of rates and charges, the Agency shall adopt a proposed schedule and publish notice thereof pursuant to KRS Chapter 424. The notice so published shall be dated as of the date of first publication thereof and shall state that the proposed or revised schedule of rates and charges will remain open for inspection in the office of the Agency for thirty (30) days from the date of the notice, and that objections thereto in writing may be filed during that period with the Agency by any person aggrieved thereby. The Board shall examine and hear any and all complaints, may modify the proposed schedule, and may recommend to the Paducah City Commission and McCracken County Fiscal Court a final schedule within sixty (60) days after the date of the notice. The schedule so adopted and established shall thereafter be the rates and charges for the use of the facilities of the Agency by users within McCracken County until changed in the manner provided herein. The schedule of rates and charges shall be established and revised from time to time so as to produce aggregate revenues to the Agency sufficient:

(i) for the payment of interest on and principal of all revenue bonds and other obligations of the Agency;

(ii) for the payment of all costs and expenses of operating and maintaining the sewer system of the Agency, including but not limited to that portion of the salaries, wages, and fees of all officers and employees of the Agency; and

(iii) for the payment of all costs of renewals and replacement of such system within McCracken County; provided, however, that all expenses, salaries, wages, and fees necessary or incident to improvements for the account of which bonds are issued or other indebtedness incurred may be included as a part of the cost of the improvements and paid from the proceeds of the bonds or other indebtedness.

The use of all monies of the Agency received from any and all sources shall be limited exclusively and devoted solely to the payment of all obligations of the Agency and no funds from any sources shall be diverted to any other purposes than those described in this ordinance.

(c) Whenever any sewer rates or charges for services rendered remain unpaid for a period of thirty (30) days after the same becomes due and payable, the Agency shall declare the property, the owner thereof, and the user of the service, delinquent until such time as all rates and charges are fully paid, and may cut off the sewer connection and service. The Agency may enter into agreements with any water company or water service, public or private, providing for the discontinuance of water service to delinquents.

SECTION 10. Power to Acquire Land

(a) The Agency shall have the power to acquire by purchase, gift, or eminent domain proceedings, the fee or such right, title, interest or easement, in such lands as may be deemed by the Agency necessary for any of the purposes mentioned in this ordinance, and any personal property necessary for the purpose of the Agency. Such lands or interests therein, or personal property may be so acquired whether or not the same are owned or held for public use by corporations, associations, or other persons having the power of

eminent domain, or otherwise held or used for public purposes. Forthwith upon the acquisition of any such fee, right, title, interest or easement, or personal property, the same shall become dedicated to the uses and purposes of the Agency.

(b) The method of condemnation of such property shall be pursuant to the Eminent Domain Act of Kentucky.

(c) When the Agency has filed a proceeding to condemn land or any interest therein, or personal property, pursuant to the provisions of the Eminent Domain Act of Kentucky, and the Board shall determine that the necessity for procuring possession of the property is urgent, it may pass a resolution, at the time that said condemnation is authorized or at any time thereafter for a declaration of taking, declaring that said lands are to be taken for the use of the Agency. Said declaration of taking shall contain, or have annexed thereto, the following:

(i) a statement of the authority under which and, the public use for which, said lands are taken;

(ii) a description of the lands taken sufficient for identification thereof;

(iii) a statement of the estate or interest in said lands taken for said public use; and

(iv) a plat showing the lands taken.

(d) At any time after the report of the Commissioners has been made, the Agency may file said declaration of taking and make a deposit with the Clerk of the Court of the sum of money stated in the award of the Commissioners appointed. Title to said lands in fee simple or such lesser estate as is specified in said declaration or to said personal property shall then vest in the Agency, and the right to just compensation for said land or interest therein or personal property shall vest in the persons entitled thereto. Said compensation shall be ascertained and awarded in said proceeding as otherwise provided in the Eminent Domain Act of Kentucky.

SECTION 11. Agency Revenue Bonds

(a) The Agency may, from time to time, issue its negotiable interest-bearing revenue bonds for any of its corporate purposes, and it may also, from time to time, issue its negotiable interest-bearing revenue bonds to refund any of its bonds at maturity or pursuant to redemption provisions, or at any time before maturity with the consent of the holders. All the bonds, including interest, are payable solely from and secured only by the revenues of the Agency realized through the collection of rates or other charges, imposed for use of the facilities of the Agency. The bonds shall be authorized by resolution of the Board and shall bear the dates, mature at the times not exceeding forty (40) years from their respective dates, bear interest at the rate or rates, or method of determining rates, payable at least annually, be in the denominations and form, either coupon or registered, carry the registration privileges, be executed in the manner, be payable in the medium of payment at the place, and be subject to the terms of redemption, with or without premium, as the resolutions provide. The bonds shall be sold at public sale for the price the Board determines.

(b) Any resolution authorizing any bonds may contain provisions which shall be a part of the contract with the holders of the bonds as to:

(i) pledging all or any part of the gross or net revenues of the Agency to secure the payment of the bonds and interest on the bonds;

(ii) the amounts to be raised in each year by rates and charges, and their use and disposition, and of any other revenues of the Agency;

(iii) the setting aside of reserves or sinking funds and their regulation and disposition;

(iv) limitations on the right of the Agency to restrict and regulate the use of its facilities;

(v) limitations on the purposes to which the proceeds of sale of any issue of bonds to be issued may be applied;

(vi) limitations on the issuance of additional bonds; and
(vii) the procedure, if any, by which the term of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent, and the manner in which the consent may be given.

(c) The bonds or other obligations of the Agency shall not constitute an obligation or indebtedness of the City of Paducah or of McCracken County and it shall be plainly stated on the face of each bond of the Agency that it has been issued under the provisions of this ordinance, and that it does not constitute an indebtedness of the City of Paducah or McCracken County. All bonds authorized may be issued without a vote of the voters and without any other proceedings or happenings of any other conditions or things than those proceedings, conditions and things described herein. The bonds shall be signed in the name of the Agency by the chairperson or vice chairperson of the Board, and attested by the signature of the secretary-treasurer.

SECTION 12. Enforcement of Rights of Bondholders

(a) In the event the Agency shall default in the payment of principal or interest on any of the revenue bonds issued pursuant to this ordinance after the said principal or interest shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days, or in the event that the Agency shall default in any agreement made with the holders of the bonds, the holders of twenty percent (20%) in aggregate principal amount of the bonds then outstanding, by instrument or instruments filed in the office of the McCracken County Court Clerk and approved or acknowledged in the same manner as a deed to be recorded, may apply to a judge of the McCracken Circuit Court to appoint a trustee to represent all of the bondholders for the purposes herein provided. Upon such application the judge shall appoint a trustee and such trustee may, and upon written request of holders of twenty percent (20%) in principal amount of the bonds of the Agency then outstanding shall, (1) by mandamus or other suit, action or proceeding at law or in

equity, enforce all rights of the bondholders, including but not limited to the right to require the Agency to collect rates and other charges, adequate to carry out any agreement as to, or pledge of, the revenues of the Agency and to require the Agency and its officers to carry out any other agreement with the bondholders and to perform its and their duties; (2) bring suit upon the bonds; (3) by action or suit in equity, require the Agency to account as if it were the trustee of an express trust for the bondholders; (4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of bondholders; (5) declare all bonds due and payable, and if all defaults shall be made good then to annul such declaration and its consequences.

(b) Any such trustee shall be entitled as of right, upon application to the judge, to the appointment of a receiver, who may enter upon and take possession of the facilities of the Agency, or any part or parts thereof, and operate and maintain the same, and collect and receive all rates and charges and other revenues of the Agency, thereafter arising therefrom, in the same manner as the Agency and its officers might do, and shall deposit all monies in a separate account and apply the same in such manner as the court shall direct. In any suit, action, or proceeding, by the trustee, the fees, the counsel fees, and expenses of the trustee and of the receiver shall constitute disbursements taxable as costs. All costs and disbursements allowed by the court shall be a first charge on any revenue derived from the facilities of the Agency. Such trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any function specifically set forth herein or incident to the general representation of the bondholders and the enforcement and protection of their rights.

SECTION 13. Apportionment of Construction Costs

(a) A resolution of the Board providing for the construction of sewerage facilities and appurtenances shall describe the nature and kind of facilities to be furnished and shall describe the particular area to be benefitted by said sewerage facilities.

(b) The costs of the sanitary sewers and appurtenances shall be assessed against the land in the benefitted area. The square foot method, the front foot method, the equivalent residential unit method, or any other equitable basis may be used for determining the assessment. No property which has been assessed for collector lines shall be reassessed for the installation or reinstallation of collector lines.

(c) The costs of property service connections from the sewer to the property line or easement line as required shall be assessed against the individual lots or tracts to which such property service connections are furnished. The costs to be assessed for the property service connections shall be fixed by regulation of the Agency based on its experience of costs for such work.

(d) All land included in the benefitted area shall be assessed, except public roadways and property owned by the city or county.

(e) When the Board determines that construction of sanitary sewers and appurtenances or property service connections at the cost of the property owner shall be necessary, the Agency shall cause its engineers to prepare complete drawings and specifications for the work and to keep same available for inspection in its offices.

(f) The actual construction work of the sanitary sewers and appurtenances shall be done by, or under the control of, the Agency. The cost of the sanitary sewers and appurtenances or property service connections shall include not only the actual construction cost and the cost of any easements required for the sewers, but also cost of surveys, designs, plans, specifications, advertising, inspection and administration; provided, however, these additional costs shall not exceed fifteen percent (15%) of the actual construction cost of the project.

(g) A lien superior to all liens except the liens for state, county, city, school and road taxes and liens prior in time for other public improvements shall exist against the respective lots or tracts of land for the cost of the sanitary sewers,

appurtenances or property service connections for apportionment as provided herein; plus interest thereon at the rate of six percent (6%) per annum.

(h) If sanitary sewers, appurtenances or property service connections are constructed as provided in the resolution, the Agency shall not be liable for the cost of the sanitary sewers, appurtenances or property service connections and shall have the right to enforce such costs against the property receiving the benefit.

(i) Upon completion and acceptance of the sewer facility constructed, the Agency shall make out all apportionment warrants for which liens are given for improvements of sewer facilities and shall immediately enter them in alphabetical order upon a register kept for that purpose. When the holder of the warrant has obtained payment, such holder shall notify the Agency and the Agency shall mark upon the register the fact of payment.

(j) The lien shall exist from the date of the apportionment warrant; but a lien shall not be valid against a purchaser for a valuable consideration without notice, unless the apportionment warrant is entered and registered within ten (10) days of its issuance.

(k) After any sewer facilities have been constructed, the Agency shall give notice by publication pursuant to KRS Chapter 424 of the costs apportioned, and the amounts assessed and levied on the various tracts of land liable for the payment.

SECTION 14. Combined Sewers

(a) All facilities in the City of Paducah that are a combination of wastewater and stormwater sewers shall be included in the assets transferred to the Agency.

(b) The Agency shall have the responsibility to maintain all combined sewer system facilities in the City of Paducah. The combined sewer system facilities visible on the surface, (such as inlets, grates, inlet throats, open-ended pipes, surface ditches, surface drainages, etc.), and the connector pipe to the combined sewer main shall be maintained by the City of Paducah.

(c) The Agency shall be responsible for compliance with all environmental regulations and requirements for combined sewer overflow established by the Commonwealth of Kentucky.

SECTION 15. Coordination of Operations with Other Agencies

(a) The Agency shall take all necessary efforts and make all necessary agreements with the City of Paducah to establish procedures for coordinating the use and operation of all flood control pump stations used when the Ohio River reaches flood stage.

(b) The facilities that constitute the City of Paducah flood control system shall not be part of the assets transferred to the Agency and shall remain the property of the City of Paducah.

(c) The Agency shall coordinate with the City of Paducah the operation of the compost facility operated by the City of Paducah and make such agreements as may be necessary for the disposal of sludge generated by the operations of the Agency.

(d) The Agency may enter into an agreement with the City of Paducah and McCracken County to provide necessary maintenance of storm sewers.

SECTION 16. Appeal Process

(a) Any entity or person, other than employees of the Agency, aggrieved by any final action of the Agency may appeal from said action to a grievance committee which shall be composed of one member of the McCracken County Fiscal Court selected by the McCracken County Fiscal Court and one member of the Paducah City Commission selected by the Paducah City Commission, and the two members thus appointed shall jointly select a third person to serve on the committee. The representatives of the legislative bodies shall not be the same representatives who are then sitting on the Board of the Agency. The aggrieved person and the Agency shall be allowed to appear before the grievance committee to state their position. The grievance committee may modify, sustain, or overrule the action taken by the Agency.

(b) Appeals by the aggrieved party shall be made in writing by filing the appeal with the Secretary-Treasurer of the Agency thirty (30) days after the decision of the Agency. All decisions

which have not been appealed within thirty (30) days shall become final.

SECTION 17. Additional Authority

McCracken County Fiscal Court and the City of Paducah, within their respective jurisdictions, shall have the authority to establish with sufficient funding, a separate and independent stormwater utility by separate ordinance, under the management and control of the Agency.

SECTION 18. Effective Date

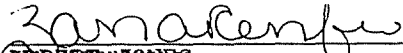
This ordinance shall become effective immediately upon passage and publication.

SECTION 19. Name of Agency

The name of the Agency shall be the "Paducah-McCracken County Sewer Agency," in which name it may act in accordance with the powers set forth in this ordinance.

INTRODUCED AND PUBLICLY READ ON FIRST READING, this the 17 day of ~~May~~^{Aug.}, 1998.

PUBLICLY READ, ADOPTED AND APPROVED ON SECOND READING, this the 25 day of August, 1998.


~~ALBERT JONES~~ MAYOR PRO TEM
~~MAYOR OF THE CITY OF PADUCAH~~

ATTEST:

LENITA SMITH, CITY CLERK

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City of Paducah, Kentucky, and as such City Clerk I further certify that the foregoing is a true, correct and complete copy of an Ordinance duly adopted by the Paducah City Commission on the 25th day of August, 1998, on the same occasion signed by the City Clerk as evidence of the approval thereof, and now in full force and effect, all as appears from the official records of the City in my possession and under my control.

WITNESS my hand and the Seal of the City of Paducah, as of the 25 day of August, 1998.


LENITA SMITH, CITY CLERK

(SEAL)

EXHIBIT

B

AGREEMENT

THIS AGREEMENT made and entered into this 9th day of August, 2013, by and between PURCHASE PUBLIC SERVICE CORPORATION, hereinafter referred to as "PPSC," and PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY, hereinafter referred to as "JSA";

WITNESSETH:

WHEREAS, PPSC desires to transfer operation and responsibility for operation of the Wastewater Treatment Facilities of Blandville West subdivision in McCracken County (hereinafter the "Wastewater Treatment Facilities") and JSA has agreed to acquire the operation of said Wastewater Treatment Facilities; and

WHEREAS, PPSC and JSA now desire to formalize their agreement in writing;

NOW, THEREFORE, for valuable consideration, the legal adequacy and sufficiency of which is hereby acknowledged by all parties, the parties do covenant and agree as follows:

1. TRANSFER AND ACCEPTANCE.

- 1.1 Description of Agreement. Subject to the terms and conditions of this Agreement, PPSC hereby agrees to transfer unto JSA and JSA hereby agrees to accept from PPSC, the responsibility for wastewater collection and the attending facilities, excluding the treatment plant, associated with wastewater treatment of the Blandville West subdivision. Included in this transfer and acceptance are all rights in real property, all equipment and personal property, all easement rights, all contract rights and of PPSC in and to the Blandville West subdivision in McCracken County. It is the intent of PPSC and JSA that this transfer and acceptance shall include all of PPSC's assets utilized in the operation of the Wastewater Treatment Facilities including both real and personal property, and all rights, and privileges of every kind and nature, and wheresoever situated. Provided, however, that PPSC shall retain ownership of and shall be responsible for decommissioning the associated wastewater treatment plant.
- 1.2 Title to be Delivered. PPSC agrees to transfer marketable fee simple title to all of the real and personal property of PPSC utilized in the operation of the Wastewater Treatment Facilities, which property shall not be subject to any lien or adverse interest of another except as may be acceptable to JSA. JSA may, at its cost, have a title examination performed on the property transferred herein.
- 1.3 Documents of Transfer. PPSC shall execute all documents of transfer, including appropriate and recordable deeds of conveyance and bills of sale. All documents of transfer shall be duly authorized by appropriate resolution of PPSC.

2. REPRESENTATIONS AND WARRANTIES OF PPSC.

- 2.1 Merchantable Title. PPSC hereby represents and warrants to JSA that it has full and complete merchantable title to its real and personal properties. JSA may waive any defect at its option.
- 2.2 Condition of Facilities. PPSC hereby represents that to the best of its knowledge its facilities are in compliance with all federal, state, and local law.
- 2.3 Adverse Proceeding. PPSC hereby represents to JSA that to the best of its knowledge it is not presently a party to any judicial or administrative proceeding, nor has it knowledge of any threatened or imminent judicial or administrative proceeding.
- 2.4 Operations. PPSC hereby represents to JSA that to the best of its knowledge the operation of the Wastewater Treatment Facilities, PPSC has been and continues to be in compliance with all federal, state, and local regulatory law.
- 2.5 Reimbursement for Expenses. PPSC hereby agrees to make a payment not to exceed \$25,000 to JSA as reimbursement of expenses incurred by JSA in making its system available for use by the Blandville West subdivision.

3. OBLIGATIONS OF PPSC PRIOR TO CLOSING.

- 3.1 Obligations to Continue Management of Facilities. From and after the date of the execution of this Agreement to date of closing, PPSC shall continue the management, operation, and maintenance of the Wastewater Treatment Facilities in a sound and reasonable manner and in accordance with standard wastewater treatment practices. Additionally, PPSC shall continue to collect its charges from its customers in the usual and customary manner, and shall maintain good operating and accounting records.
- 3.2 Prohibition Against Further Liability and Expenditures. From and after the date of the execution of this Agreement to date of closing, PPSC shall not incur any additional liability or debt nor make any expenditure of funds unless such liability, debt, or expenditure is reasonably necessary to the continued operations of PPSC, or PPSC's compliance with its obligations as herein assumed. Additionally, PPSC shall not enter into any additional contractual relationship with any of its customers which is not in the ordinary course of business unless the prior written consent of JSA is obtained.
- 3.3 Information to be Disclosed to JSA. PPSC shall make reasonable efforts to identify to JSA each and every liability, debt and contract to be assumed by JSA as contemplated for evidencing same. Additionally, PPSC shall provide to JSA full and complete access to all of its files related to the Wastewater Treatment Facilities, records, documents, maps and writings, and JSA may request that PPSC personnel be available to JSA to be interviewed about operational matters, or otherwise provide information regarding the operation of the PPSC.

- 3.4 Access to Real and Personal Property. PPSC shall provide to JSA full and complete access to the real and personal properties pertaining to the Wastewater Treatment Facilities. JSA shall have the right to fully inspect same, and perform any test or study as relates to same. PPSC shall identify to JSA any known defects or needs of imminent repair or replacement regarding any of the aforesaid property. Additionally, PPSC shall identify and provide to JSA any manufacturer's warranties, documents of purchase, service agreements or other written representations as relate to any of PPSC's property.

4. OBLIGATIONS OF JSA PRIOR TO CLOSING.

- 4.1 Investigation. From and after the date of execution of this Agreement, JSA shall immediately commence its due diligence and inspection of the PPSC, including the physical assets and all documents and records relating to liabilities, debts and contracts to be assumed by JSA as provided herein, and of the document and records relating to the financial worth and condition of PPSC. JSA may employ, at its expense, any engineer, accountant, attorney, or any other expert to perform any part of the investigation and inspection to be performed by JSA.
- 4.2 Approvals. From and after the date of the execution of this Agreement, the parties shall initiate a proceeding with the Kentucky Public Service Commission for its approval of the transfer contemplated herein, which cost shall be paid by PPSC. Additionally, JSA shall initiate, at its cost, the appropriate proceedings before any state or federal agencies their consent and approval of this Agreement, and the transfer and acceptance as herein provided.
- 4.3 Documents of Transfer. PPSC shall bear the cost of the preparation of all documents of transfer, including any deeds of conveyance and bills of sale which shall be available for inspection by PPSC prior to the time of closing.

5. CONDITIONS PRECEDENT TO TRANSFER AND ACCEPTANCE.

- 5.1 Conditions Precedent. Notwithstanding the foregoing transfer and acceptance, this transfer and acceptance shall be subject to the following conditions precedent:
- 5.1.1 Title to the real and personal property transferred herein shall be marketable fee simple title free and clear of all liens or adverse interests except those acceptable to JSA;
- 5.1.2 The transfer and assignment shall be fully and finally approved by applicable state and federal agencies, specifically including the Kentucky Public Service Commission;
- 5.1.3 The liabilities to be assumed by JSA as provided for herein are acceptable to JSA at its discretion;
- 5.1.4 The contractual agreements to be assumed by JSA as provided for herein are acceptable to JSA at its discretion;

- 5.1.5 The real and personal property to be transferred herein shall be in an acceptable condition and state of repair;
- 5.1.6 All other representations and warranties of PPSC to JSA have been fully satisfied and complied with; and
- 5.2 Satisfaction of Conditions Precedent. On the date of closing, all of the above-referenced conditions precedent shall be fully satisfied and complied with. In the event any one of the aforesaid conditions precedent is not fully satisfied and complied with, JSA, at its option, may terminate this Agreement, and upon such termination, the Agreement shall be of no further legal force and effect. Upon such termination, the PPSC shall not be liable to JSA in any manner whatsoever.

6. CLOSING.

- 6.1 Date and Place of Closing. Upon JSA's determination that all conditions precedent have been fully satisfied and complied with, JSA shall immediately give written notice of such fact to the PPSC. Closing shall take place as soon as practicable following the date of said notice, but in no event shall it be more than 90 days from notice.
- 6.2 Documents of Transfer. At the time of closing, PPSC shall tender to JSA properly executed documents of transfer including appropriate resolutions of PPSC authorizing the transfer and appropriate deeds of conveyance and bills of sale. Additionally, at the time of transfer, PPSC shall tender to JSA all of its records and documents related to the Wastewater Treatment Facilities including, but not limited to customer accounts and files, engineering plans, financial statements, audits, easements, contracts with customers, etc. It is the intent of the parties herein that on date of closing, any and all of the property, rights and privileges pertaining to the Wastewater Treatment Facilities shall be finally assigned and transferred to JSA. Provided, however, that it is understood that any and all receivables due and owing to PPSC shall remain the sole and exclusive property of PPSC and shall not be transferred.
- 6.3 Notice of Closing to PPSC Customers. In the event there is any requirement that notification of final transfer of PPSC's assets and property be given to the customers of PPSC, PPSC agrees to provide such notification.

7. OBLIGATIONS OF PPSC SUBSEQUENT TO CLOSING.

- 7.1 Assistance in Transition. Immediately subsequent to closing, PPSC shall utilize its best efforts to assist JSA in transferring the customer accounts and files to JSA's and to otherwise cooperate and assist JSA to finalize the transfer of property and the assumption of PPSC's operations by JSA. PPSC shall not do any act or omit to perform any act which is adverse or inimical to this Agreement.

8. POST-CLOSING OBLIGATIONS OF JSA.

- 8.1 Operations of PPSC's Wastewater Treatment Facilities. From and after the date of closing, JSA shall assume full control of the operations of the Wastewater Treatment Facilities and shall assume full responsibility for providing quality and adequate wastewater treatment services. Additionally, JSA shall have full responsibility to repair, replace and otherwise maintain the Wastewater Treatment Facilities. JSA shall operate and maintain the Wastewater Treatment Facilities in accordance with its general practices and standards which JSA utilizes in relation to its other customers, and, additionally, in compliance with all federal, state and local laws.
- 8.2 Future Rate Increases. Wastewater treatment rate increases to PPSC's customers shall be based on the same percentage given to all customers of the same class uniformly by JSA.
- 8.3 Expansion of PPSC Wastewater Treatment Facilities. JSA shall use its good faith and good business, engineering, and operational practices to establish expansions and improvements of the Wastewater Treatment Facilities which are necessitated by reason of the growth and development of the present area. Any necessary wastewater system expansion and improvements shall be addressed and implemented by JSA in accordance with the same general prudent utility practices and standards.
- JSA shall make every good faith effort to perform wastewater treatment facilities extensions and improvements so as to aid the growth and prosperity of the former PPSC area. The foregoing notwithstanding, all wastewater treatment extensions and improvements shall remain in the discretion of JSA and shall at all times be subject to prudent business practices and standards for wastewater treatment utilities.
- 8.4 Real Property Transferred at Time of Closing—Use by JSA. All real property which is transferred by PPSC to JSA at time of closing shall be held by JSA and/or used by JSA for wastewater treatment purposes only.
- 8.5 PPSC's Contracts. JSA agrees to assume and perform all contractual obligations, if any, of PPSC in relation to the Wastewater Treatment Facilities.
- 8.6 PPSC's Attorney Fees. PPSC agrees to pay and satisfy reasonable and necessary attorney fees, if any, incurred by the parties in seeking Public Service Commission approval of this Agreement.

9. MISCELLANEOUS.

- 9.1 Reference to JSA's General Practices and Standards. The references in this Agreement to JSA's "general practices and standards" shall be defined to include not only the general practices and standards presently utilized by JSA, but additionally, any other practices and standards which may be utilized by JSA in the future, so long as said general practices and standards treat PPSC customers in all respects the same as JSA's other customers. Nothing contained in this Agreement shall impair or limit JSA from amending or modifying its general practices and standards, or implementing new practices and standards. The intent

of the parties hereto is merely that the PPSC customers shall be treated as JSA customers, as they are presently treated by JSA and as they may be treated by JSA in the future.

- 9.2 Entire Agreement. This Agreement represents the entire agreement by and between the parties hereto, and all prior promises, representations, covenants and understandings are fully merged herein. There are no other promises, terms, conditions, or obligations other than those specifically contained herein.
- 9.3 Captions. The captions appearing in this Agreement have been asserted for the purpose of convenience and ready reference. They do not purport to, and shall not be deemed to, define, limit, or extend the scope or intent of the clauses to which they pertain.
- 9.4 Applicable Law. It is mutually understood and agreed that this Agreement shall be governed by the laws of the Commonwealth of Kentucky as to both interpretation and performance.
- 9.5 Binding Effect. This Agreement shall bind and inure to the benefit of the parties hereto, and each of their respective successors and assigns.
- 9.6 Assignment. This Agreement, any interest herein, or any claim arising hereunder, shall not be transferred by either party without the prior written consent of the other party.
- 9.7 Notices. Notice to JSA and PPSC shall be given at the following addresses:
- PPSC: P. O. Box 588
Mayfield, Kentucky 42066
- JSA: 621 Northview Street
Paducah, Kentucky 42001
- 9.8 Severability. The parties agree that if a court of competent jurisdiction holds any one or more of the paragraphs or subparagraphs of this Agreement to be invalid or ineffective for any reason, any such paragraph or subparagraph will be deemed separate from the remainder of this Agreement and will not affect the validity and enforceability of the remaining provisions.

IN WITNESS WHEREOF, the parties hereto have set their hands on the date first above written.

PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY

By: _____

Title: _____

EXECUTIVE DIRECTOR

PURCHASE PUBLIC SERVICE CORPORATION

By: [Signature]

Title: CHAIRMAN

STATE OF KENTUCKY)

COUNTY OF McCRACKEN)

Subscribed and sworn to before me this 9th day of August, 2013, by John Hodges, (title) Executive Director, on behalf of Paducah McCracken County Joint Sewer Agency, on behalf of said entity.

My commission expires: April 14, 2014.

[Signature]
NOTARY PUBLIC, STATE AT LARGE

STATE OF KENTUCKY)

COUNTY OF GRAVES)

Subscribed and sworn to before me this 8th day of August, 2013, by Troy Smith, Chairman (title) of Purchase Public Service Commission, on behalf of said entity.

My commission expires: 10-7-16.

[Signature]
NOTARY PUBLIC, STATE AT LARGE

EXHIBIT

C

**RESOLUTION OF BOARD OF DIRECTORS
OF
PURCHASE PUBLIC SERVICE CORPORATION**

May 2, 2013

WHEREAS on March 27, 1991, Purchase Public Service Corporation ("PPSC") took over the operation of the wastewater treatment plant of Blandville West subdivision in McCracken County and has continued to operate the same since that time.

WHEREAS, in order service those facilities, PPSC has contracted with Paducah McCracken County Joint Sewer Agency to provide said service pursuant to a contractual agreement.

WHEREAS, PPSC, recognizes that it is not in the best interest of the public for PPSC to continue operation of the wastewater treatment facility making it unsuitable for public use and because the liabilities of operating those systems outweighs the benefit to PPSC, PPSC began to seek out alternatives including a contract to provide services and/or the transfer of said facilities to another entity.

WHEREAS in furtherance of a potential transfer, and in compliance with its procurement and disposal policies, PPSC sought the assistance of the Paducah McCracken Joint Sewer Agency ("JSA") in compliance with KRS 45A.365 for a company or individual to assume responsibility for said wastewater, through an outright transfer of said wastewater collection system.

WHEREAS, JSA is agreeable to taking over the operation of said wastewater collection system.

WHEREAS, PPSC believes it to be in the best interest of the public for PPSC to stop providing said wastewater treatment services to Blandville West subdivision and to transfer said collection system to JSA.

NOW THEREFORE, IT IS:

RESOLVED that the Board of Directors of PPSC, does hereby declare the wastewater treatment facilities of Blandville West subdivision in McCracken County are no longer suitable or necessary to the operation of PPSC, and therefore, it is hereby declared to be surplus property. A description of said property, hereby deemed surplus property is attached hereto as Exhibit "B".

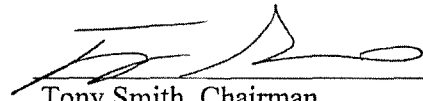
RESOLVED that PPSC shall move forward with the potential transfer of the Blandville West wastewater collection system to JSA. In furtherance of said merger or acquisition, the Board of Directors of PPSC authorize, empower and direct Jennifer Beck Walker to take any steps necessary to begin said transfer, including the negotiation and execution of a definitive agreement with JSA regarding the same. Jennifer Beck Walker is authorized to add such

additional details to such agreement as deemed necessary and advisable and as advised by legal counsel.

RESOLVED, that, upon execution of a definitive agreement with JSA, PPSC shall file with the Kentucky Public Service Commission, a joint petition with JSA requesting the PSC to approve transfer of ownership and control of District's water works system to JSA and may thereafter take any and all actions necessary to effectuate said transfer.

CERTIFICATE

The undersigned hereby certifies that the foregoing Resolution was duly adopted at a meeting of the Board of Directors of Purchase Public Service Corporation on May 2, 2013, in Mayfield, Kentucky, and remains in full force and effect.



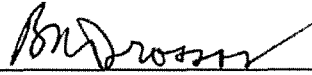
Tony Smith, Chairman

**RESOLUTION OF BOARD OF COMMISSIONERS
OF
PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY**

May 23, 2013

BE IT RESOLVED, that the Paducah McCracken County Joint Sewer Agency shall move forward and consider the potential merger or acquisition of the Terre Verte waste water collection system from W&W Service Corporation. In furtherance of said merger or acquisition, the Board of Directors of JSA authorize, empower and direct John Hodges, as Executive Director of JSA, to take any steps necessary to begin said possible merger or acquisition, including the negotiation of a definitive agreement with W&W Service Corporation regarding the same, said agreement to be presented to the Board for final approval.

IT IS HEREBY CERTIFIED, that the foregoing Resolution was duly authorized by the Board of Directors of the JSA on MAY 23RD 2013, and that the foregoing resolution is a true and accurate statement of the resolution so adopted.

By 
Chairman

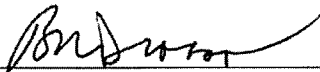
Dated: 23 May, 2013

**RESOLUTION OF BOARD OF COMMISSIONERS
OF
PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY**

May 23, 2013

BE IT RESOLVED, that the Paducah McCracken County Joint Sewer Agency shall move forward and consider the potential merger or acquisition of the Blandville West waste water collection system from Purchase Public Service Corporation. In furtherance of said merger or acquisition, the Board of Directors of JSA authorize, empower and direct John Hodges, as Executive Director of JSA, to take any steps necessary to begin said possible merger or acquisition, including the negotiation of a definitive agreement with Purchase Public Service Corporation regarding the same, said agreement to be presented to the Board for final approval.

IT IS HEREBY CERTIFIED, that the foregoing Resolution was duly authorized by the Board of Directors of the JSA on MAY 23rd 2013, and that the foregoing resolution is a true and accurate statement of the resolution so adopted.

By 
Chairman

Dated: 23 May, 2013

EXHIBIT

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About Us

ABOUT US

The Paducah McCracken Joint Sewer Agency (JSA) was formed on July 1, 1999, to take over the operation and maintenance of Paducah and McCracken County's combined sanitary and storm sewer system and sanitary-only sewer system.

The JSA is responsible for a large wastewater collection and treatment network, including:

- 333 miles of gravity sanitary sewer,
- 41 miles of combined storm and sanitary sewer,
- 44 miles of sanitary sewer force main and
- 6,400 manholes
- 30,000 sanitary laterals
- Paducah Wastewater Treatment Plant – 9 million gallon per day capacity
- Reidland Wastewater Treatment Plant – 1 million gallon per day capacity
- Woodlawn Wastewater Treatment Facility – 0.900 million gallon per day capacity

The JSA is a non-profit regional utility service. Our revenue comes from wastewater treatment fees, plus charges for extending wastewater lines and connecting new customers.

All of the agency's revenue is used for operation, maintenance and extension and improvement of services.

BOARD OF DIRECTORS

The JSA is governed by a seven-member board. Three members are appointed by the Paducah City Commission, three members are appointed by the McCracken County Fiscal Court, with the final member selected jointly by both commissions. Members serve four-year overlapping terms and can be reappointed. The full Board meets once monthly on the fourth Thursday at 5 PM.

Contact Us

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DOCUMENTS & LINKS

[Combined Sewer Overflow History \[pdf\]](#)

[Consent Judgment Information](#)

[December 2008 Mailer \[pdf\]](#)

[June 2010 Mailer \[pdf\]](#)

[March 2012 Mailer \[pdf\]](#)

[FY 2012 Statement of Public Funds \[pdf\]](#)

[FY 2012 Audit Report \[pdf\]](#)

EXHIBIT

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

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

YEARS ENDED JUNE 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Paducah McCracken Joint Sewer Agency
Paducah, Kentucky

We have audited the accompanying financial statements of the Paducah McCracken Joint Sewer Agency, as of June 30, 2012 and 2011 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Paducah McCracken Joint Sewer Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Paducah McCracken Joint Sewer Agency as of June 30, 2012 and 2011, and the changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 3 through 8 and budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Paducah McCracken Joint Sewer Agency. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Kempner CPA Group LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
September 24, 2012

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, 2012.

Financial Highlights

- Net assets increased \$1.7 million (3.3%) as a result of FY 2012 operations
- Capital assets increased \$5.5 million (10.7%)
- Operating expenses finished \$192 thousand below budget
- Debt service coverage ratios remain well above the level of compliance

Required Financial Statements

Statement of Net Assets – The purpose of the Statement of Net Assets 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 assets 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 assets indicate that the financial position of the JSA is improving over time.

Statement of Revenues, Expenses and Changes in Net Assets – The purpose of this statement is to identify the revenues and expenses generated and 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 assets 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: operations, 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 Assets (in thousands)

	FYE 6/30/12	FYE 6/30/11	Dollar Change	Percent Change
Assets				
Current assets	\$ 12,461	\$ 11,512	\$ 949	8.2%
Capital assets	57,276	51,746	5,530	10.7%
Restricted funds	3,481	8,409	(4,928)	-58.6%
Deferred charges & other	140	156	(16)	-10.3%
Total assets	<u>\$ 73,358</u>	<u>\$ 71,823</u>	<u>\$ 1,535</u>	<u>2.1%</u>
Liabilities & net assets				
Current liabilities	\$ 2,332	\$ 2,459	\$ (127)	-5.2%
Noncurrent liabilities	15,669	15,756	(87)	-0.6%
Total liabilities	<u>18,001</u>	<u>18,215</u>	<u>(214)</u>	<u>-1.2%</u>
Invested in capital assets, net	40,912	35,258	5,654	16.0%
Restricted	3,481	8,409	(4,928)	-58.6%
Unrestricted	<u>10,964</u>	<u>9,941</u>	<u>1,023</u>	<u>10.3%</u>
Total net assets	<u>55,357</u>	<u>53,608</u>	<u>1,749</u>	<u>3.3%</u>
Total liabilities & net assets	<u>\$ 73,358</u>	<u>\$ 71,823</u>	<u>\$ 1,535</u>	<u>2.1%</u>

Net Assets

The JSA's total net assets increased by \$1.7 million in FY 2012 to \$55.4 million. The change in net assets reflects the JSA's ongoing initiative to enhance and rebuild the aging sewer infrastructure 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 our existing system.

Capital Assets and Long-Term Debt Activity

At the close of FY 2012, the JSA had over \$57 million in total capital assets. The net investment in capital assets increased more than \$5.6 million during FY 2012 due to the purchase of capital assets, the completion of capital projects and the contribution of assets to the JSA by private developers. During FY 2011, The JSA began constructing a two-phase, multi-year project, named the Massac Creek Interceptor, Force Main and Pump Station Project. To date, \$9.1 million has been expended on this project, including federal and state awards.

Total liabilities decreased during FY 2012 at -1.2% over FY 2011. JSA secured a \$10 million loan from the Kentucky Infrastructure Authority (KIA) during FY 2011 to aid in financing the Massac Creek Project. This is a construction-type loan where the liability is recorded as money is received from KIA and interest-only is currently due on that money. Principal payments will not begin until the project is complete. During FY 2011, funding of \$4.3 million was also received through United States Department of Agriculture Rural Development (RD) for the

Massac Creek Project. This consists of an interim loan from Kentucky Rural Water Finance Corporation (RW) in which interest payments are made annually. When loan funds are exhausted, the loan is converted to bonds purchased by RD and JSA will then begin making interest and principal payments. Since the close of FY 2012, JSA has closed the RW loan and converted that note to bonds with Rural Development. Interest payments will begin January, 2013 with principal payments commencing January, 2014.

EXHIBIT 2: Condensed Statements of Revenues, Expenses and Changes in Net Assets
(in thousands)

	FYE 6/30/12	FYE 6/30/11	Dollar Change	Percent Change
Revenues				
Operating revenues	\$ 6,807	\$ 6,741	\$ 66	1.0%
Non-operating revenues	<u>293</u>	<u>195</u>	<u>98</u>	<u>50.3%</u>
Total revenues	<u>7,100</u>	<u>6,936</u>	<u>164</u>	<u>2.4%</u>
Expenses				
Depreciation	2,100	2,068	32	1.5%
Operating expenses	4,114	4,097	17	0.4%
Non-operating expenses	<u>175</u>	<u>352</u>	<u>(176)</u>	<u>-50.0%</u>
Total expenses	<u>6,389</u>	<u>6,517</u>	<u>(127)</u>	<u>-1.90%</u>
Contributions	<u>1,037</u>	<u>1,517</u>	<u>(480)</u>	<u>-31.6%</u>
Change in net assets	1,748	1,936	(188)	-9.7%
Beginning net assets	<u>53,608</u>	<u>51,672</u>	<u>1,936</u>	<u>3.7%</u>
Ending net assets	\$ 55,356	\$ 53,608	\$ 1,748	3.3%

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 finished nearly \$5 thousand under the budgeted amount for FY 2012. Sewer charges comprise the bulk of operating revenues and are billed based on customer water consumption. These charges came in \$39 thousand over budget, while the remainder of operating revenues came in \$44 thousand under budget. Operating expenses came in under budget for the fiscal year finishing \$192 thousand below estimate. Net non-operating revenue for FY 2012 was more than the budgeted amount due to tap-on and capacity fees not being budgeted as income, but rather recorded straight to contributed capital. Overall, net income for FY 2012 finished at \$711 thousand, which was \$879 thousand above budget.

Results of Operations

Overall revenues totaled \$7.1 million for FY 2012, an increase of \$164 thousand or 2.4% from FY 2011. Total expenses decreased \$127 thousand over FY 2011 to nearly \$6.4 million. The largest contributing factor to the decrease in expenses was the capitalization of interest expense to the cost of capital projects in process during the current fiscal year.

EXHIBIT 3: Detail of Operating Expenses

Operating Expenses (in thousands)	FYE 6/30/12	FYE 6/30/11	Dollar Change	Percent Change
Salaries and benefits	\$ 2,107	\$ 2,069	\$ 38	1.8%
Chemicals, testing & solids disposal	293	324	(31)	-9.6%
Utilities	587	623	(36)	-5.8%
Material, supplies and repairs	537	521	16	3.1%
Fleet expense	139	136	3	2.2%
Professional fees	115	65	50	76.9%
Billing, collection and bad debts	139	135	4	3.0%
All other	197	224	(27)	-12.1%
Total	\$ 4,114	\$ 4,097	\$ 17	0.4%

Salaries and Benefits

Salaries and benefits comprise the bulk of operating expenses. Benefits total 52% of actual wages, with health insurance comprising 40% of the benefits cost. Pension funding has continued to rise, costing the Agency \$270 thousand in FY 2012, or 38% of total benefits. Employees received annual wage increases during FY 2012 and 2011.

Other Operating Expenses

Chemicals, testing and solids disposal showed a \$31 thousand decrease from the prior year. Chemical usage amounts and costs vary from year to year based on a variety of factors, including economic conditions and pricing, as well as certain operational parameters which vary due to odor control requirements, treatment plant flows, and the maintenance of the bacterial inventory at the wastewater treatment plants. Solids disposal costs vary primarily based on the treated flow amounts, the efficiency of the wastewater treatment plant digesters and the ability for the City of Paducah's composting facility to efficiently handle the Paducah wastewater treatment plant's fully digested sludge inventory. In times of low composting supply material (i.e. branches, leaves, sticks, etc.) or composting facility equipment breakdown, the JSA is forced to landfill sludge at higher costs.

The largest component of utilities expense is electricity costs. The budget for electricity was \$476 thousand with actual costs totaling \$466 thousand. Electricity costs vary from year to year based on flows received and pumped. During the spring of 2011 the JSA service area was impacted by historic flooding. Pumps worked overtime attempting to manage flow, thus significantly increasing electrical costs. Most utility rates have been impacted by rate increases over the last few years, and will most likely continue to do so, making the budgeting process difficult.

Materials, supplies and repairs are ordinary and necessary costs incurred to keep the sewer utility process in good working order. The FY 2012 budget for materials, supplies and repairs was \$496 thousand resulting in a negative variance of \$41 thousand. This variance is primarily related to pumping rental and fuel for the Woodlawn Wastewater Treatment Lagoons due to excessive rainfall in November 2011 (10 inches above average). Rental pumps were brought in to provide extra pumping capacity necessary to treat the high flows. Pump station repair and maintenance was also higher than anticipated. Repairs to

pump stations can vary, as they are comprised of mechanical equipment. A pump or control panel failure can greatly influence the budget.

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. Repairs were made as follows:

EXHIBIT 4: Repairs by Department (in thousands)

<u>Department</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Collection System (pipes)	\$ 224	\$ 244	\$ (20)	-8.2%
Lift Stations (pipes & pumps)	80	51	29	56.9%
Treatment Plants (pipes, pumps & motors)	39	49	(10)	-20.4%
Total	\$ 343	\$ 344	\$ (1)	-0.3%

Fleet expense rose \$3 thousand, or 2.2%, over the prior fiscal year. The JSA maintains a vehicle replacement program to cull the aging fleet and attempt to minimize extensive repair costs. Fleet expense finished \$16 thousand over budget for the current fiscal year.

FY 2012 professional fees were \$50 thousand higher than in FY 2011. This is due to litigation that was completed during the fiscal year. The budget for professional fees was \$86 thousand for FY 2012.

Paducah Water provides billing and collection services. Bad debt write offs finished slightly better than expected at 0.67% of sewer charges.

All other expenses totaled \$197 thousand for FY 2012 and included costs for insurance, office, safety, training and miscellaneous expenses. The budget for all other expenses was \$215 thousand. While most expenses included in this category finished near budget, safety came in \$3 thousand less than budget, and miscellaneous expense finished nearly \$14 thousand under budget. A portion of the safety expense is paid to a third party provider and fluctuates based on the working environment and safety conditions encountered. Miscellaneous expense can vary widely due to insurance claims, grant fees, legal advertising and certain travel expenses.

Debt Service Coverage

Debt service coverage ratio is an indicator of the JSA's ability to meet its debt obligations. The JSA Board strives to maintain a minimum debt service coverage ratio of 130%. For purposes of this calculation, net revenues include investment income and connection fees, but exclude the deduction for depreciation expense. The JSA is exceeding the minimum level of net revenue equal to 1.3 times the required debt service payments. The JSA's debt service coverage ratio was 295% in 2012 and 415% in 2011.

Relevant Current Economic Factors and Other Significant Matters

Regional economic trends that affect the financial condition of the JSA have remained sluggish throughout this fiscal year. New home construction was slow which is representative of the current U.S. market.

Investment returns have continued to show significant declines. These returns will fluctuate with adjustments in interest rates, due to the nature of our investments.

The Paducah McCracken Joint Sewer Agency entered into a Consent Judgment with the Kentucky Environmental and Public Protection Cabinet in September 2007 to bring combined and sanitary sewer overflows into compliance with Federal and State guidelines. The Agency will be bound by this Judgment for many years to come and will incur costs to bring the system into compliance that can only be determined as solutions to the issues are proposed and approved by the Cabinet as outlined in the Consent Judgment. The total cost of complying with this Consent Judgment has not been determined, but will be significant. As a result, future rate increases may be necessary to achieve compliance. The JSA strives to utilize sound business principals while meeting the needs of the community and maintaining environmental compliance with Federal, State and local regulations.

The JSA continues to pursue alternative forms of funding in the form of grants and low-interest loans to aid in the funding of JSA's capital expenditures. The JSA has been successful in securing \$10.2 million in grants from the Kentucky Infrastructure Authority (KIA) and the United States Department of Agriculture (USDA) Rural Development since FY 2005. This money has 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.

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 ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,884,724	\$ 2,709,735
Investments and accrued interest	6,664,947	6,015,918
Customer accounts receivable	337,842	326,378
Grants and other receivables	691,700	1,783,885
Accrued unbilled revenue	566,000	541,000
Inventories and prepaid expenses	315,483	134,746
Total Current Assets	12,460,696	11,511,662
NON-CURRENT ASSETS		
Capital assets, net	57,276,509	51,745,664
Restricted assets, investments and accrued interest	3,481,096	8,409,586
Bond discount - net	130,799	141,952
Notes receivable	8,918	14,217
Total Noncurrent Assets	60,897,322	60,311,419
Total Assets	\$ 73,358,018	\$ 71,823,081
LIABILITIES		
CURRENT LIABILITIES		
Notes and bonds payable	\$ 695,319	\$ 731,237
Accounts payable	1,156,137	1,232,949
Salaries and benefits payable	74,909	122,321
Other current liabilities	405,685	371,926
Total Current Liabilities	2,332,050	2,458,433
Non-Current Liabilities		
Notes and bonds payable	15,669,545	15,756,227
Total Noncurrent Liabilities	15,669,545	15,756,227
NET ASSETS		
Invested in capital assets, net of related debt	40,911,645	35,258,200
Restricted for:		
Debt service	2,075,366	2,028,761
Capital Projects	1,405,730	6,380,825
Unrestricted - net assets	10,963,682	9,940,635
Total Net Assets	55,356,423	53,608,421
TOTAL LIABILITIES AND FUND EQUITY	\$ 73,358,018	\$ 71,823,081

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 ASSETS
For the Years ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Charges for service	\$ 6,807,438	\$ 6,740,813
Operating Expenses		
Salaries, wages and benefits	2,107,174	2,069,132
Chemicals, testing and solid disposal	293,386	323,770
Utilities	587,107	623,267
Materials, supplies and repairs	536,854	521,021
Fleet expense	138,960	136,293
Liability insurance	104,197	107,645
Training, safety and dues	40,403	38,438
Professional fees	115,017	64,896
Office expense	13,601	15,487
Public education	3,289	4,182
Billing and collections	94,079	94,601
Bad debts	44,863	40,073
Board of directors expense	16,800	16,800
Miscellaneous	18,450	41,247
Depreciation	2,099,806	2,068,017
	6,213,986	6,164,869
Operating Income (Loss)	593,452	575,944
Non-operating Revenues (Expenses)		
Investment income	52,590	75,573
Interest expense	(145,660)	(222,911)
Amortization	(11,153)	(5,636)
Gain (loss) on sale of assets	(19,216)	(117,500)
Tap-on and assessment fees	203,140	118,410
Other, net	37,566	(5,206)
Total non-operating revenue (expenses), net	117,267	(157,270)
Increase in net assets before contributions from capital contributions	710,719	418,674
Capital Contributions		
Grant revenue	745,443	1,222,577
Contributions from developers	291,840	294,750
	1,037,283	1,517,327
Increase in net assets	1,748,002	1,936,001
Beginning net assets	53,608,421	51,672,420
ENDING NET ASSETS	\$ 55,356,423	\$ 53,608,421

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

PADUCAH McCracken JOINT SEWER AGENCY
STATEMENTS OF CASH FLOWS
For the Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from customers	\$ 6,726,111	\$ 6,693,597
Cash paid to suppliers	(2,057,080)	(1,219,300)
Cash paid to employees	(2,154,586)	(2,050,587)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,514,445</u>	<u>3,423,710</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital	745,443	1,222,577
Tap-on fees and assessments	203,141	118,410
Acquisition of capital assets	(7,074,098)	(6,903,527)
Proceeds from the sale of fixed assets	16,202	9,202
Transfers from restricted funds	1,097,482	-
Proceeds from debt issues	608,637	9,047,215
Principal payments on long term debt	(731,237)	(524,205)
Interest payments on long term debt	(574,645)	(222,911)
Other, net	37,569	19,246
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,671,506)</u>	<u>2,766,007</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	12,653,773	8,429,624
Purchases of investments	(8,380,091)	(15,939,482)
Investment earnings	58,368	106,881
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>4,332,050</u>	<u>(7,402,977)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,174,989	(1,213,260)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,709,735</u>	<u>3,922,995</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,884,724</u></u>	<u><u>\$ 2,709,735</u></u>

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

PADUCAH McCracken JOINT SEWER AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years ended June 30, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 593,452	\$ 575,944
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,099,806	2,068,017
Change in assets and liabilities:		
Accounts receivable	(11,464)	35,891
Accrued unbilled revenue	(25,000)	(43,000)
Inventory and prepaid expenses	(180,737)	11,080
Accounts payable	65,443	404,646
Salaries and benefits payable	(47,412)	18,545
Other current liabilities	20,357	352,587
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,514,445	\$ 3,423,710

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

**PADUCAH McCracken JOINT SEWER AGENCY
NOTES TO FINANCIAL STATEMENTS**

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 the 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.

Accounting Method

The Paducah McCracken Joint Sewer Agency maintains its books and these financial statements are presented on the accrual basis of accounting. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Agency are charges for sewer service. Operating expenses for proprietary funds 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 nonoperating revenues and expenses.

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. The Agency applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Cash and Investments

The Agency adopted formal deposit and investment policies in 1999. These policies apply to all Agency funds not contained in public trusts.

For the purpose of the Statements of Cash Flows, "cash and cash equivalents" includes unrestricted demand and savings accounts of the Agency.

Accounts Receivable and Bad Debts

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

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

Accrued Unbilled Revenue

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

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.

**PADUCAH McCracken Joint Sewer Agency
Notes to Financial Statements**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable

Notes receivable represent balances due from customers in developed areas/subdivisions that have elected to pay their sewer service tap-on fee in installments. The Agency charges new customers an initial fee to connect to the system. That fee is paid upon connection, or the customer in developed areas/subdivisions may elect to spread the payment over ten years. The monthly installments include six percent interest. The Agency obtains a lien against the property until the tap-on fee is satisfied.

Property, Plant and Equipment

Property, plant and equipment 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

Capital Contributions

Capital contributions are derived from developers, when they construct and pay for sewer lines and then donate these additions to the Agency, and other governments, in the form of grants or contributions of property, plant or equipment. 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to presentation in the current-year financial statements.

NOTE B - RESTRICTED FUNDS

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

**PADUCAH McCracken JOINT SEWER AGENCY
NOTES TO FINANCIAL STATEMENTS**

NOTE B - RESTRICTED FUNDS (Continued)

At June 30, 2012, these restricted funds were comprised of the following investments:

	2012	2011
Certificates of deposit – various financial institutions	\$ 1,430,288	\$ 1,384,000
U.S. Government money market funds	482,473	2,811,564
U.S. Government treasury obligations	1,568,335	4,214,022
TOTAL	\$ 3,481,096	\$ 8,409,586

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

NOTE C – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits

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. Deposits are 100% secured with collateral valued at market or par, whichever is lower. 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.

During the year ended June 30, 2012 and 2011, the Agency's investments include U.S. government money market funds, short-term treasury obligations, demand deposits and certificates of deposit. The carrying amount, including restricted cash, was \$14,030,766 and \$17,135,239, respectively. The bank balance was \$12,671,462 and \$17,383,506, respectively. As of June 30, 2012 and 2011, the Agency's bank balance was as follows:

	2012	2011
Balance covered by FDIC insurance	\$ 7,167,868	\$ 7,686,185
Uninsured and collateral held by pledging bank or bank trust department or agent but not in the Agency's name	5,503,594	9,697,321
	\$ 12,671,462	\$ 17,383,506

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.

**PADUCAH McCracken JOINT SEWER AGENCY
NOTES TO FINANCIAL STATEMENTS**

NOTE D - CONSTRUCTION IN PROGRESS

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

	<u>2012</u>	<u>2011</u>
Bridge Street Sewer Separation	\$ 256,443	\$ 2,994
Chickadee Lift Station Improvements	-	32,579
Friendship Road Phase II Sewer Extension	-	12,193
Long Term Control Plan	804,159	780,429
Massac Creek Interceptor		
Pump Station and Force Main Phase I	8,700,893	5,298,253
Pump Station and Force Main Phase II	405,872	166,847
Rehab and Manhole Contract CY '10	-	1,384,237
Rehab and Manhole Contract CY '11	2,008,019	43,404
Rehab and Manhole Contract CY '12	37,739	-
Rural Development Bond Pre-Closing Costs	12,658	12,658
Fieldmont Pump Station Refurbishments	12,750	-
N. Friendship/Hwy 62 Sewer Extension	10,700	-
Homewood/Milliken Pump Station Refurbishment	93,704	-
Terrell Large Bar Screen As-Built Drawings	-	3,353
Old Hwy 60 Extension	4,250	-
Storage Building	8,568	-
Wallace Park Sewer Separation	52,104	-
Waukeshaw Engine Rebuild	720	-
Woodlawn WWTP Wet Weather Upgrades	39,806	-
Capitalized Interest	322,387	-
McCracken County Board of Education	<u>120,000</u>	<u>-</u>
TOTALS	<u>\$ 12,890,772</u>	<u>\$ 7,736,949</u>

Construction in progress related invoices of \$549,327 and \$691,582 were included in accounts payable at June 30, 2012 and 2011, respectively.

**PADUCAH McCRACKEN JOINT SEWER AGENCY
NOTES TO FINANCIAL STATEMENTS**

NOTE E - UTILITY PLANT

Utility plant consists of the following at June 30:

	2012			Balance as of June 30, 2012
	Balance as of June 30, 2011	Increases	Decreases	
<u>Capital assets, not being depreciated:</u>				
Land	\$ 504,906	\$ 37,243	\$ -	\$ 542,149
Construction in progress	7,736,949	7,044,760	1,890,937	12,890,772
Total capital assets, not being depreciated:	<u>8,241,855</u>	<u>7,082,003</u>	<u>1,890,937</u>	<u>13,432,921</u>
<u>Capital assets, being depreciated:</u>				
Utility assets (pipes, pumps, plants, structures)	63,567,214	2,228,542	76,629	65,719,127
Vehicles	1,301,671	122,838	62,925	1,361,584
General plant and office furniture	2,527,827	123,625	291,783	2,359,669
Totals at historical cost	<u>67,396,712</u>	<u>2,475,005</u>	<u>431,337</u>	<u>69,440,380</u>
Less: accumulated depreciation				
Utility assets	21,594,726	1,763,472	63,228	23,294,970
General plant and office furniture	1,469,475	178,076	269,764	1,377,787
Vehicles	828,702	158,258	62,925	924,035
Total accumulated depreciation	<u>23,892,903</u>	<u>2,099,806</u>	<u>395,917</u>	<u>25,596,792</u>
Total capital assets, being depreciated, net:	<u>43,503,809</u>	<u>375,199</u>	<u>35,420</u>	<u>43,843,588</u>
Total System capital assets – net:	<u>\$ 51,745,664</u>	<u>\$ 7,457,202</u>	<u>\$ 1,926,357</u>	<u>\$ 57,276,509</u>

	2011			Balance as of June 30, 2011
	Balance as of June 30, 2010	Increases	Decreases	
<u>Capital assets, not being depreciated:</u>				
Land	\$ 493,042	\$ 11,864	\$ -	\$ 504,906
Construction in progress	1,850,566	7,005,005	1,118,622	7,736,949
Total capital assets, not being depreciated:	<u>2,343,608</u>	<u>7,016,869</u>	<u>1,118,622</u>	<u>8,241,855</u>
<u>Capital assets, being depreciated:</u>				
Utility assets (pipes, pumps, plants, structures)	62,306,132	1,568,159	307,077	63,567,214
Vehicles	1,336,991	50,456	85,776	1,301,671
General plant and office furniture	2,417,173	110,654	-	2,527,827
Totals at historical cost	<u>66,060,296</u>	<u>1,729,269</u>	<u>392,853</u>	<u>67,396,712</u>
Less: accumulated depreciation				
Utility assets	20,053,299	1,722,549	181,122	21,594,726
General plant and office furniture	1,267,117	202,358	-	1,469,475
Vehicles	770,622	143,110	85,030	828,702
Total accumulated depreciation	<u>22,091,038</u>	<u>2,068,017</u>	<u>266,152</u>	<u>23,892,902</u>
Total capital assets, being depreciated, net:	<u>43,969,258</u>	<u>(338,748)</u>	<u>126,701</u>	<u>43,503,809</u>
Total System capital assets – net:	<u>\$ 46,312,866</u>	<u>\$ 6,678,121</u>	<u>\$ 1,245,323</u>	<u>\$ 51,745,664</u>

**PADUCAH McCracken Joint Sewer Agency
Notes to Financial Statements**

NOTE F – LONG-TERM DEBT

Notes and bond payable consists of the following:

	2012	2011
Notes Payable		
Kentucky Infrastructure Agency	\$ 7,240,864	\$ 7,168,464
Rural Water	4,324,000	4,324,000
Bonds Payable		
2010 Revenue Bonds	4,800,000	4,995,000
	16,364,864	16,487,464
Less current maturities	695,319	731,237
	\$ 15,669,545	\$ 15,756,227

Debt service requirements on notes payable and bonds payable at June 30, 2012, are as follows:

Years Ending June 30,	Principal	Interest	Service Fee	R&M Reserves	Total
2013	\$ 695,319	\$ 437,852	\$ 10,031	\$ 43,930	\$ 1,187,132
2014	711,288	455,372	9,089	43,930	1,219,679
2015	726,822	401,201	8,181	14,830	1,151,034
2016	743,092	384,308	7,254	-	1,134,654
2017	754,605	366,553	6,310	-	1,127,468
2018 – 2021	3,185,103	1,560,584	19,271	-	4,764,958
2022 – 2026	2,721,444	1,130,869	8,212	-	3,860,525
2027 – 2031	1,940,267	622,815	438	-	2,563,520
Thereafter	4,886,924	842,435	-	-	5,729,359
	\$ 16,364,864	\$ 6,202,989	\$ 68,786	\$ 102,690	\$ 22,738,329

Notes payable are secured by capital assets and restricted funds. At June 30, 2012, the above notes are payable to the Kentucky Infrastructure Authority and are payable in semi-annual installments, including interest ranging from 1% to 3.7%. These agreements provide capital project funding utilizing a combination of both long-term borrowing and federal stimulus grants funds from the American Recovery and Reinvestment Act.

During the year ended June 30, 2011, the Agency issued Series 2010 (Build America Bonds) Taxable Sewer Revenue Bonds, in the amount of \$4,995,000, to finance the acquisition, construction, development and equipping of improvements and renovations to address combined sewer overflows and eliminate sanitary sewer overflows. These taxable bonds were created as part of the Recovery Act of 2009 to finance municipal agency's capital expenditures for which the US Treasury Department pays a direct subsidy of 35 percent of the interest cost to the issuer.

On September 4, 2012, the Agency formally issued Series 2011, Sewer Bonds in the amount of \$4,324,000 with the first principal payment due January 1, 2014. The interest rate on the bond is 2.75% and the bonds require annual principal payments and semi-annual interest payments through 2051. These bonds provide long-term financing of the Rural Water note payable which required interest payments only (at 2.75%) prior to this time.

**PADUCAH McCracken JOINT SEWER AGENCY
NOTES TO FINANCIAL STATEMENTS**

NOTE G – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities:					
Revenue bonds	\$ 4,995,000	\$ -	\$ (195,000)	\$ 4,800,000	\$ 200,000
Notes payable	<u>11,492,464</u>	<u>608,637</u>	<u>(536,237)</u>	<u>11,564,864</u>	<u>495,319</u>
Total long-term liabilities	<u>\$ 16,487,464</u>	<u>\$ 608,637</u>	<u>\$ (731,237)</u>	<u>\$ 16,364,864</u>	<u>\$ 695,319</u>

NOTE H - CONTRIBUTED CAPITAL

For the years ended June 30, 2012 and 2011, the Agency accepted sewer line extensions valued \$291,840 and \$294,750 for extensions put into service during the year by developers in McCracken County, Kentucky.

NOTE I – DISCLOSURES REGARDING STATEMENTS OF CASH FLOWS

Non-cash Investing and Financing

	<u>2012</u>	<u>2011</u>
Non-cash contributions of property received during the years ended June 30 as follows:		
Developer contributions	\$ 291,840	\$ 294,750

NOTE J - 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 K - EMPLOYEE RETIREMENT SYSTEM

The Paducah McCracken Joint Sewer Agency employees participate in the County Employees Retirement System (CERS), a cost-sharing, multi-employer public employee retirement system that provides retirement, disability, and death benefits to members of the plan. Benefits and contribution rates are established by state statute. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. Requests for a copy of the report should be made in writing and submitted to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

CERS participants have a fully vested interest after completion of sixty (60) months of service, twelve (12) months of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3 percent compounded annually through June 30, 1981, 6 percent thereafter through June 30, 1986, and 4 percent thereafter. Benefits and contribution rates are established by State statute.

**PADUCAH McCracken Joint Sewer Agency
Notes to Financial Statements**

NOTE K - EMPLOYEE RETIREMENT SYSTEM (Continued)

CERS covered non-hazardous employees are required to contribute an amount equal to 5.00% of their annual covered salary and 6.00% for all new members hired after August 31, 2009. For the years ended June 30, 2012, 2011 and 2010, the System contributed 18.96%, 16.93%, and 16.16%, respectively, of each non-hazardous employee's creditable compensation. These actuarially determined rates are set by the Board of Trustees of Kentucky Retirement Systems. Total contributions made for the years ended June 30, 2012, 2011 and 2010 were \$344,320, \$299,464 and \$343,308, of which \$270,111, \$229,672 and \$278,097 were made by the employer and \$74,209, \$69,792 and \$65,211 were made by employees, respectively, equal to the required contributions for each year.

NOTE L - 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% of eligible compensation, not to exceed the statutory limits, currently \$16,500.

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. Participants are immediately vested in the employer contribution. Employer contributions for the years ended June 30, 2012 and 2011, were \$76,488 and \$72,714, respectively.

NOTE M - 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 that can only be determined as solutions to the issues are proposed and approved by the Cabinet as outlined in the Consent Decree. The total cost of complying with this Consent Decree has not been determined, but will be significant.

The following significant contracts in progress represent future construction contractual obligations as of June 30, 2012.

	<u>Contract Total</u>	<u>Contract Cost-to-date</u>	<u>Future Commitment</u>
N. Friendship/Hwy 62 Sewer Extension	\$ 11,452	\$ 10,700	\$ 752
Long Term Control Plan	781,024	755,709	25,315
Massac Creek Interceptor			
Pump Station & Force Main Phase I	6,198,884	5,677,478	521,406
Pump Station and Force Main Phase II	4,125,270	191,394	3,933,876
Bridge Street Sewer Separation	441,490	82,394	359,096
Fieldmont Pump Station Refurbishment	13,750	12,750	1,000
Homewood/Milliken Pump Station Refurbishment	98,103	75,579	22,524
Old Hwy 60 Sewer Extension	7,500	3,750	3,750
Sewer System Rehabilitation Contract '12	1,464,969	-	1,464,969
Metal Storage Building	124,909	103,320	21,589
Woodlawn WWTP Wet Weather Upgrades	54,973	42,971	12,002
Rural Development Bond			
Pre-Closing Costs	<u>22,842</u>	<u>11,421</u>	<u>11,421</u>
	<u>\$ 13,345,166</u>	<u>\$ 6,967,466</u>	<u>\$ 6,377,700</u>

**PADUCAH McCracken Joint Sewer Agency
Notes to Financial Statements**

NOTE N – BOARD DESIGNATED FUNDS

It is the policy of the current Board of Directors to designate \$135,000 annually for high dollar capital equipment purchases, emergencies or rate stabilization in the event of a loss of substantial revenue stream. The Board's intent is to establish a maximum funding level of \$3 million and a minimum level of \$750 thousand in this fund. Designations of amounts represent tentative management plans and are subject to change. Unrestricted net assets at June 30, 2012 and 2011, consist of the following:

	2012	2011
Designations – high dollar capital equipment emergencies and rate stabilization	\$ 3,000,000	\$ 3,000,000
Undesignated	7,963,682	6,940,635
	\$ 10,963,682	\$ 9,940,635

NOTE O – INTEREST EXPENSE

For the year ended June 30, 2012 and 2011, interest expense before adjustment for capitalized construction period interest was \$468,047 and \$222,911, respectively. For the year ended June 30, 2012, \$322,387 of interest expense was capitalized as part of construction in progress. There was no capitalized interest for year ended June 30, 2011.

NOTE P – RECENTLY ISSUED ACCOUNTING STANDARDS

During the year ended June 30, 2012, the Governmental Accounting Standards Board (GASB) issued two new pronouncements that will have a future impact on the Agency. These statements relate to the recognition of Other Post-Employments Benefits earned by employees whose governmental agency participates in multi-employer, cost-sharing pension plan. The new statements are Statement No. 67, Financial Reporting for Pension Plans, effective for years beginning after June 30, 2013, and Statement No. 68, Accounting and Financial Reporting for Pensions, effective for years beginning after June 30, 2014. These GASB statements require the cost-sharing governments to report a net pension liability, pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. These amounts are not being calculated for the year ended June 30, 2012, but could have a significant impact in the year of implementation.

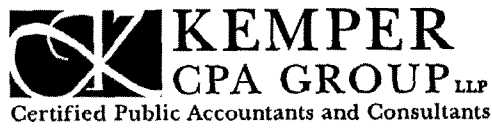
NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2012, the data which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

PADUCAH McCracken JOINT SEWER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ACTUAL TO BUDGET
For the Year Ended June 30, 2012

	<u>Original Budget Amounts</u>	<u>Amended Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues				
Charges for service	\$ 6,812,000	\$ 6,812,000	\$ 6,807,438	\$ (4,562)
Operating Expenses				
Salaries and wages	2,202,008	2,216,045	2,107,174	108,871
Chemicals, testing and solid disposal	331,000	331,000	293,386	37,614
Utilities	611,160	611,160	587,107	24,053
Materials, supplies and repairs	495,750	495,750	536,854	(41,104)
Fleet expense	122,500	122,500	138,960	(16,460)
Liability insurance	102,410	102,410	104,197	(1,787)
Training, safety and dues	44,100	44,100	40,403	3,697
Professional fees	85,500	85,500	115,017	(29,517)
Office expense	15,000	15,000	13,601	1,399
Public education	5,000	5,000	3,289	1,711
Billing and collections	94,000	94,000	94,079	(79)
Bad debts	56,900	56,900	44,863	12,037
Board of directors expense	16,800	16,800	16,800	-
Miscellaneous	32,000	32,000	18,450	13,550
Depreciation	2,177,500	2,177,500	2,099,806	77,694
	<u>6,391,628</u>	<u>6,405,665</u>	<u>6,213,986</u>	<u>191,679</u>
Operating Income (Loss)	<u>420,372</u>	<u>406,335</u>	<u>593,452</u>	<u>187,117</u>
Non-operating Revenues (Expenses)				
Investment income	75,000	46,000	52,590	6,590
Interest expense	(369,500)	(503,100)	(145,660)	357,440
Amortization	(7,500)	(11,200)	(11,153)	47
Gain (loss) on sale of assets	(50,000)	(50,000)	(19,216)	30,784
Tap-on and assessment fees	-	-	203,140	203,140
Other, net	(56,300)	(56,300)	37,566	93,866
Total non-operating revenue (expenses), net	<u>(408,300)</u>	<u>(574,600)</u>	<u>117,267</u>	<u>691,867</u>
Increase (decrease) in net assets before capital contributions	12,072	(168,265)	710,719	878,984
Capital Contributions				
Grant revenue	-	-	745,443	745,443
Contributed capital	-	-	291,840	291,840
	<u>-</u>	<u>-</u>	<u>1,037,283</u>	<u>1,037,283</u>
Increase (decrease) in net assets	<u>\$ 12,072</u>	<u>\$ (168,265)</u>	<u>\$ 1,748,002</u>	<u>\$ 1,916,267</u>



**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 the financial statements of Paducah McCracken Joint Sewer Agency as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 24, 2012. We conducted our audits 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.

Internal Control Over Financial Reporting

Management of Paducah McCracken Joint Sewer Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Paducah McCracken Joint Sewer Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of Paducah McCracken Joint Sewer Agency in a separate letter dated September 24, 2012.

This report is intended solely for the information and use of management, the Agency's board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used for anyone other than these specified parties.

Kemper CPA Group LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
September 24, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Paducah McCracken Joint Sewer Agency
Paducah, Kentucky

Compliance

We have audited the compliance of Paducah McCracken Joint Sewer Agency, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the years then ended June 30, 2012. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on Paducah McCracken Joint Sewer Agency's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Paducah McCracken Joint Sewer Agency, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Agency's board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used for anyone other than these specified parties.

Kemper CPA Group LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
September 24, 2012

**PADUCAH McCracken COUNTY JOINT SEWER AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Totals</u>
US Environmental Protection Agency				
Passed through Kentucky Infrastructure Authority:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	A09-02	\$ 600,751	\$ 600,751
Capitalization Grants for Clean Water State Revolving Funds	66.458	A12-08	\$ 157,502	\$ 157,502
US Department of Agriculture				
Passed through Kentucky Department of Agriculture: USDA Rural Utilities Services – ARRA	10.781	KY20100629-1170	<u>2,914,701</u>	<u>2,914,701</u>
Total Federal Awards				<u>\$ 3,672,954</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Paducah McCracken Joint Sewer Agency and is presented on the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Of the total amount of federal awards, \$2,927,511 is applicable to loan programs and \$745,443 is applicable to grant revenue.

**PADUCAH McCracken County Joint Sewer Agency
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of the Paducah McCracken County Joint Sewer Agency.
2. No significant deficiencies were disclosed relating to the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Paducah McCracken County Joint Sewer Agency were disclosed during the audit.
4. No instances of significant deficiencies were disclosed during the audit of internal control over major federal award programs.
5. The auditor’s report on compliance for the major federal award programs for the Paducah McCracken County Joint Sewer Agency expresses an unqualified opinion.
6. There were no audit findings that required reporting in accordance with Section 510(a) of OMB Circular A-133 is reported in this schedule.
7. The programs tested as major program include:

<u>Name</u>	<u>CFDA</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458
USDA Rural Utilities Service – ARRA	10.781

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. The Paducah McCracken County Joint Sewer Agency was determined to be a high-risk auditee.

Section II – Findings – Financial Statements Audit

There were no findings in the current year required to be reported.

Section III – Findings and Questioned Costs – Major Federal Awards Programs

There were no findings in the current year required to be reported.

**PADUCAH McCracken County Joint Sewer Agency
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Section II – Findings – Financial Statements Audit

There were no findings in reported.

Section III – Findings and Questioned Costs – Major Federal Awards Programs

None.

**Statement of Public Funds Received and Disbursed by
Public Officers of the Paducah McCracken Joint Sewer Agency
For the Fiscal Year Ended June 30, 2012**

Published in accordance with KRS 424.220

The following information and supporting data may be inspected by the general public at 621 Northview, Paducah, KY upon written request.

Total Amount of Funds Collected:

Customer charges for services	\$	6,726,111
Tap fees and assessments	\$	203,141
Capital contributions		745,443
Proceeds from the sale of capital assets		16,202
Transfers from restricted funds		1,097,482
Principal received from capital debt		608,637
Other income, net		37,569
Maturities of CDs		12,653,773
Investment income		<u>58,368</u>
	\$	22,146,726

Total Amount of Funds Disbursed:

III RIVERS CONTRACTING LLC	12,067
5H TECHNOLOGIES, INC	7,940
ACTION SPORTS OF PADUCAH	110
AESSEAL, INC	1,483
AGC OF WESTERN KENTUCKY	695
AIRGAS MID-AMERICA, INC	2,967
ALESIA & DAVID E GRIEF	4,025
AMY M & DANIEL J SMILEY	1,400
ANN QUARLES	85
AQUA TREAT OF KENTUCKY, INC	965
ARAMARK UNIFORM SERVICES, INC	12,333
AT&T	1,802
AT&T MOBILITY	4,346
ATMOS ENERGY	31,424
B J 'S TRANSMISSION SERVICE, INC	1,931
B W ROGERS CO	85
BACKWOODS BBQ	292
BACON FARMER WORKMAN	41,278
BAPTIST PRIME CARE CENTER	65
BAPTIST WORX OF PADUCAH	2,155
BARBARA ANN ELLIS	515
BENJAMIN & TAMMY TURNER	5,500
BENTLEY SYSTEMS, INC	1,450
BEST EQUIPMENT CO, INC	10,486
BEST ONE TIRE & SERVICE	203
BLANCH L HENSLEY	1,630
BLUEGRASS EMERG MED ASSOC	75
BOBBY STAMPER	1,560
BRENTAG MID-SOUTH, INC	119,928
BUSINESS & LEGAL REPORTS, INC	535
C K MASONRY CO, INC	15,119
C-PLANT FEDERAL CREDIT UNION	59,486
CALX RESOURCES LLC	7,214
CAMP DRESSER & MCKEE, INC	23,730
CANADIAN NATIONAL RAILROAD	3,400
CARDMEMBER SERVICE	7,299
CARRA ARNOLD	555
CARTER CONCRETE	3,540

CDW GOVERNMENT, INC	629
CED/E&H ELECTRIC	114
CERTIFIED LABORATORIES	1,580
CFI LAWN & GARDEN EQUIPMENT	13
CHESTNUT WATER CONSULTING	528
CHICK-FIL-A	86
CICI BOILER ROOM, INC	331
CIVIL DESIGN GROUP, INC	3,750
CMI HEATING, INC	3,522
COMMERCIAL DOOR AND HARDWARE	1,454
CONSOLIDATED PIPE & SUPPLY CO	93
CONSTRUCTION SITE SERVICES LLC	42,477
CONTROL SPECIALISTS, INC	434
CRAIG ELLIFSON	1,000
CSC, INC	13,967
CUMMINS CROSSPOINT, INC	7,073
CWI OF KENTUCKY	45,119
D W EXCAVATING	600
DELANEY & ASSOCIATES, INC	172
DELL MARKETING L P	862
DENTON & KEULER	48,545
DETECTION INSTRUMENTS CORP	1,298
DIXIE P & ISABEL STEARNS	2,150
DOLORES MOREFIELD	3,188
DR MARK LYNN & ASSOC PLLC	1,157
DUMMER SURVEYING & ENGINEERING	3,425
E-TEL/MURRAY LLC	1,054
EADS, INC	5,015
EL CHICO	219
EMERGENCY EQUIPMENT SPECIALIST	1,345
EMPLOYEE EXPENSE REIMBURSEMENTS	9,537
EMPLOYEE SALARIES & WAGES	1,459,216
ENVIRONMENTAL EXPRESS, INC	1,451
ENVIRONMENTAL RESOURCE ASSOC	982
ENZ USA, INC	1,239
ERDMANN CORPORATION	87
EVELYN MCCLURE WOMBLE	965
EXPERITEC, INC	1,006
EXPRESS LUBE, INC	2,263
FASTENAL COMPANY	3,353
FEBCO	168
FEDERAL MATERIALS CO, INC	9,774
FEDEX	519
FERGUSON ENTERPRISES, INC	1,771
FLORENCE & HUTCHESON, INC	70,380
GENERAL RUBBER & PLASTICS	1,914
GEORGE A & GWENDOLYN MULLINAX	1,840
GEOTECH ENGINEERING, INC	4,125
GLORIA A MARCHBANKS	3,455
GPEDC, INC	37,500
GRAINGER	2,633
GRAPHIC CONTROLS LLC	1,280
GRW ENGINEERS, INC	212,113
GUTHRIE SALES & SERVICE, INC	186
GUY GRAY SUPPLY COMPANY	9,176
HACH COMPANY	860
HANK BROS. INC	3,476
HANNAN SUPPLY COMPANY	6,293
HARTMAN TRUCK & WRECKER	13,879

HASLER, INC	275
HD SUPPLY WATERWORKS LTD	2,574
HDR ENGINEERING, INC	239,085
HEARTLAND PUMP, INC	16,250
HENRY A PETTER SUPPLY CO	13,626
HERRING CONSTRUCTION, INC	489,204
HILL MANUFACTURING CO, INC	340
HS SUPPLY FACILITIES MAINTENANCE	3,200
HUBERT EXCAVATING & CONTRACTING	1,023,682
HULTMAN	1,420
HYDRO-KINETICS	1,055
HYDROMAX USA	126,817
INDUSTRIAL MAINT & ENGINEERING	2,570
INGRAM SHEET METAL	840
INSITUFORM TECHNOLOGIES, INC	1,717,056
J DANIEL & MARY V SHULTZ	575
J R HOE & SONS, INC	5,976
JACK DOHENY SUPPLIES, INC	2,585
JACKSON PURCHASE 2-WAY	1,843
JACKSON PURCHASE ENERGY CORP	88,147
JACKSON PURCHASE RC&D FOUND'N	950
JAGCO INDUSTRIES, INC	330
JAMES & MARION BAUMGARDNER	3,500
JAMES FRANKLIN	200
JEROME & ANGEL REED	2,300
JIMMY D & CATHY J JACKSON	1,725
JMS RUSSEL METAL SERVICES, INC	700
JOANNE GOLDEN	1,406
JOHN CRANE, INC	1,655
JOHN M WILSON	1,683
JOHN MOORE	198
JOHNSTONE SUPPLY	1,267
JWC ENVIRONMENTAL	26,117
K/M SPECIALTY, INC	36,688
KANO LABORATORIES, INC	303
KAREN S & STEPHEN H JACKSON	11,000
KEMPER CPA GROUP LLC	11,900
KENTUCKIANA BIO CATALYST CORP	12,279
KENTUCKY INFRASTRUCTURE AUTH	675,759
KENTUCKY LEAGUE OF CITIES	292,256
KENTUCKY NATURAL LANDS TRUST	27,608
KENTUCKY PUBLIC EMPLOYEES	76,564
KENTUCKY RETIREMENT SYSTEMS	270,111
KENTUCKY STATE TREASURER	1,738
KIT-MO RENTAL & SUPPLY	1,762
LAKELAND LAWN CARE	265
LARRY MEADOWS BODY SHOP	140
LEIGH & KRISTINE SHANKS	26
LIFEWORKS AESTHETIC CENTER PSC	185
LOUIS & LANERA KAYE HAAS	5,000
LOWE'S COMPANIES, INC	2,327
LUCITY, INC	4,740
MAILSHIP TECHNOLOGY	387
MARTIN MARIETTA AGGREGATES	9,485
MATRIX ENGINEERING, PLLC	23,535
MATT CLEVIDENCE	3,492
MCCOY & MCCOY LABORATORIES, INC	18,927
MCCRACKEN CO TAX ADMINISTRATOR	101
MCKEEL EQUIPMENT CO, INC	17,662

MCMASTER CARR SUPPLY CO	52
MELVILLES JANITORIAL SERVICE	14,730
MERCERS GARAGE LLC	2,946
MERRYMAN EXCAVATION, INC	2,155,796
METLIFE SBC	14,092
METROPOLIS READY-MIX, INC	20,779
METTLER-TOLEDO, INC	229
MIDWEST TERMINAL	124,036
MILAM CYCLE SHOP	295
MONTE MCKINNEY'S CUSTOM HAULING	828
MOTION INDUSTRIES, INC	4,020
MURRAY PAVING, INC	18,900
MURTCO, INC	480,099
NAPA AUTO PARTS	6,809
NORTH CENTRAL LABS, INC	5,478
OASIS COMPUTER SOLUTIONS, INC	3,023
OFFICE DEPOT, INC	615
OLD BAIT HOUSE, INC	1,500
OMEGA RAIL MANAGEMENT, INC	6,204
OMNISITE	18,293
ORR SAFETY CORP	374
ORTHOPEDIC INSTITUTE OF W KY	1,483
PAD/MC CO. CONVENTION CENTER	475
PADUCAH BANK	14,100
PADUCAH BLUEPRINT AND SUPPLY	8,717
PADUCAH CHAMBER OF COMMERCE	3,145
PADUCAH, CITY OF	385,262
PADUCAH FINANCIAL CONSULTANTS	41,000
PADUCAH FORD, INC	39,360
PADUCAH HOSE & FITTING, INC	1,910
PADUCAH POWER SYSTEM	375,807
PADUCAH PRINTING, INC	19
PADUCAH RIGGING, INC	90
PADUCAH SUN	7,881
PADUCAH TIRE SERVICE	4,799
PADUCAH WATER	135,383
PARKER FORD LINCOLN-MERCURY	15,968
PARKSON CORPORATION	8,010
PATRICIA CROY	500
PATRICIA YARBROUGH	85
PEEL & HOLLAND, INC	2,062
PERMA-LINER INDUSTRIES, INC	16,384
PETTER BUSINESS SYSTEMS	190
PETTY CASH - DONNIE SHREVE	1,561
PHELPS FARM SERVICE	3,534
PIPELOGIX, INC	3,600
PIZZA HUT	160
PPG AF, INC	1,094
PRECISE AIR FILTER	212
PREMIER FIRE & SAFETY, INC	754
PROGRESSIVE BUSINESS	230
PURCELL TIRE COMPANY	4,546
PURCHASE RECORDS DESTRUCTION	486
QQUEST SOFTWARE SYSTEMS	602
R & K PRODUCTS	926
R L CRAIG COMPANY, INC	382
RAINBOW SEAMLESS GUTTERS	230
ROBIN LEIGH HOLT	4,155
REC INVESTMENTS LLC	5,500

RECOGNITION PLUS	70
REZA DANESH	5,000
RICK'S ELECTRIC, INC	18,576
RILEY D & JILL D LOVE	3,450
RILLA K JONES	4,520
ROBERT E FELLOWS	575
ROBINSON PIPE CLEANING CO	109,181
RONNIE, JR & SUZANNE HINES	3,900
RON'S SEPTIC TANK & DRAIN	3,500
ROSE GARDEN FLORIST	53
RUDDATA CORPORATION (VCI)	879
RUSSELL E & DANIELA K SHEILDS	4,752
SAFEGUARD BUSINESS SYSTEMS, INC	549
SAFETY-KLEEN SYSTEMS, INC	701
SAGE SOFTWARE, INC	875
SAK CONSTRUCTION LLC	120,707
SAM'S CLUB DISCOVER	1,281
SAMUEL TYLER FRENCH	13,000
SANDRA VASSEUR	4,375
SARAH CANNON RESEARCH	50
SCOTTS LAWN SERVICE	996
SEAT COVER JIMS'	375
SHARON CASH	9,243
SHELBY'S TRUCK BEDS & EQUIP	1,800
SHELBY'S WHEEL AND TIRE, INC	24
SHIRLEY YARBRO BAILEY	965
SIEMENS WATER TECHNOLOGIES	9,025
SIMPLY UNIQUE CATERING	375
SMITHCO ENGINEERING, INC	177
SMR LABORATORIES, INC	12,455
SOUTHERN SALES COMPANY, INC	2,221
SOUTHSIDE MACHINE SHOP, INC	2,080
STRAEFFER PUMP & SUPPLY, INC	31,990
SUBURBAN PROPANE	499
SWANSON'S ALIGNMENT	1,009
TAG TRUCK CENTER OF CALVERT	955
TELEPHONE ANSWERING SERVICE, INC	1,370
TERRIE & MARK CROXALL	500
TEXAS ANILINE DYE CO, INC	269
THAD METZGER	1,500
THE RIGHT ANGLE, INC	192
THERMO FISHER SCIENTIFIC LLC	444
THOMAS V & DOROTHY A NEIHOFF	2,920
THOROUGHNBRED CONSULTING	11,000
TNCI	397
TOTALFUNDS BY HASLER	1,200
TOWERS FIRE APPARATUS CO, INC	579
TRACTOR SUPPLY CO	775
TRI-STATE INTERNATIONAL TRUCKS	82,369
TRINADAD MCGEE	1,500
TURNER LANDSCAPES, LLC	1,475
U S BANK NATIONAL ASSOCIATION	365,402
U-HAUL	370
UNITED LABORATORIES	7,721
UNITED PARCEL SERVICE	783
UNITED RENTALS	116
VIVAX-METRORECH CORPORATION	177
WALLACE SISTERS FARM LLC	2,916
WARDEN ELECTRIC COMPANY	3,028

WATER ENVIRONMENT FEDERATION	216
WEBB'S PEST CONTROL, INC	890
WEST PADUCAH GLASS CO, INC	68
WESTCOAST ROTOR	10,662
WESTERN BAPTIST HOSPITAL	621
WILSON OFFICE SUPPLY	4,382
WOOD BROTHERS EXCAVATING LLC	8,899
XYLEM WATER SOLUTIONS USA, INC	9,723
YELLOW TRANSPORTATION, INC	719
YSI, INC	496
ZEBRA GRAPHICS	2,375
	<hr/>
	\$ 12,591,646
Purchases of investments	\$ 8,380,091
	<hr/>
	\$ 20,971,737

This is to certify that at the close of business on June 30, 2012, a balance of \$3,147,356 was credited to the operating checking account of the Paducah McCracken Joint Sewer Agency.

Molly Bailey
 (Officer or Cashier of Bank)
Paducah Bank & Trust
 (Name of Bank)

Witness my hand this the 27th day of September, 2012.

Amy Neihoff Finance Director

Commonwealth of Kentucky
 County of McCracken

Subscribed and sworn to by Amy Neihoff before me on the
27th day of Sept., 2012.

My Commission expires: 02-06-2016 ID # 457693

Rose D. Shaver Notary Public