KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
Hazard, Kentucky

FINANCIAL STATEMENTS
June 30, 2018

C O N T E N T S

Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Kentucky River Area Development District
Hazard, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Kentucky River Area Development District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky River Area Development District, as of June 30, 2018, and the changes in financial position, and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Implementation of New GASB Accounting Standards

As discussed in Notes 9 and 14 to the financial statements, effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions is not modified with respect to this matter.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of the net pension liability and related contributions and the schedules of proportionate share of the net OPEB liability and related contributions on pages 3-6 and 25-28 are 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kentucky River Area Development District's basic financial statements. The supplementary budgetary comparison, cost allocation policy, schedule of shared costs and statements of operations by program are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison, cost allocation policy, schedule of shared costs, statements of operations by program and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison, cost allocation policy, schedule of shared costs, the statements of operations by program and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 on our consideration of the Kentucky River Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kentucky River Area Development District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 7, 2018

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis provides an overview of Kentucky River Area Development District's financial performance during the fiscal years 2018 and 2017. Please read the following in conjunction with the District's audited financial statements.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditors' report, the District's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The District's financial statements utilize the full accrual basis accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board (GASB). The required financial statements are the District's statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows. The statement of net position details the District's investments (assets), debt (liabilities), and deferred inflows and outflows. The statement of net position is very similar to a traditional balance sheet. The statement of revenues, expenses and changes in net position classify revenue by source and expenditures by object and changes in fund balance takes into account adjustments for prior year events.

FINANCIAL ANALYSIS OF THE DISTRICT

The condensed statement of net position reveals the long-term liabilities increased significantly due to an increase in the net pension liability and the addition of the net OPEB liability. Unrestricted net position for fiscal year 2018 decreased by $843,683 primarily due to the effect of GASB 68 and the implementation of GASB 75. The current year increase in the net pension liability totaled $682,154. The current year increase in the net OPEB liability totaled $341,994.

Condensed Statement of Net Position

	FY 2018	FY 2017
Current Assets	$ 2,386,335	$ 2,716,103
Other Assets	2,266,083	2,318,585
Deferred Outflows of Resources	1,364,090	702,659
Total Assets & Deferred Outflows	$ 6,016,508	$ 5,737,347
Current Liabilities	$ 334,644	$ 319,525
Long-term Liabilities	6,167,038	5,177,786
Deferred Inflows of Resources	147,960	-
Net Position		
Investment in capital assets	439,550	469,037
Unrestricted	(1,072,684)	(229,001)
Total Liabilities, Deferred Inflows & Net Position	$ 6,016,508	$ 5,737,347

The statement of revenues, expenses, and changes in net position provides a more detailed look at the nature of these changes. The District had an operating loss of ($677,842) for year ended June 30, 2018, compared to a loss of ($456,503) in 2017. Revenues increased as did expenses. The increase in revenue was $96,538, while the increase in expenses totaled $317,877. This resulted in a ($221,339) decrease in operating income primarily due to GASB 68 and GASB 75.

Statement of Revenues, Expenses, and Changes in Net Position

	FY 2018	**FY 2017**
Operating Revenues		
Federal revenues	$ 1,560,798	$ 1,367,254
State revenues	1,101,868	1,194,783
Local	2,311,328	2,315,419
Total Operating Revenues	4,973,994	4,877,456
Operating Expenses		
Salaries	1,675,502	1,651,923
Fringe benefits	1,503,803	1,167,510
Travel	96,335	108,147
Subgrantees	1,243,512	1,600,575
Non-capital grant purchases	74,358	74,623
Other	1,058,326	731,181
Total Expenses	5,651,836	5,333,959
Operating Income	**(677,842)**	**(456,503)**
Bank Interest Income	3,943	4,855
Interest Expense	(39,522)	(21,563)
Change in Net Position	(713,421)	(473,211)
Net Position – Beginning of the Year, as Restated	**240,036**	**710,213**
Adjustments for deferred income, A/R, & write-offs	(159,749)	3,034
Net Position – End of Year	$ (633,134)	$ 240,036

The statement of cash flows describes the sources of cash received by the District and the areas in which that cash was spent. From fiscal year 2018 to fiscal year 2017, cash and cash equivalents decreased by ($53,331).

Condensed Statement of Cash Flows

	FY 2018	FY 2017
Net Cash Flow from Operating Activities	$ 33,729	$ (261,468)
Net Cash from Capital & Financing Activities	(90,235)	(104,806)
Net Cash provided by (used in) Investing Activities	3,175	3,854
Net Increase (Decrease) in Cash & Cash Equivalents	(53,331)	(362,420)
Cash & Cash Equivalents – Beginning of the Year	1,751,207	2,113,627
Cash & Cash Equivalents – End of the Year	**$ 1,697,876**	**$ 1,751,207**

CAPITAL ASSETS

The District invested $26,637 in capital assets for fiscal year 2018. This amount includes the purchase of computer equipment and a vehicle. Accumulated depreciation increased $79,907. The net investment in fixed assets at the end of fiscal year 2018 totaled 439,550 (assets less related debt).

	Balance June 30, 2016	FY 2017 Additions	FY 2017 Disposals	Balance June 30, 2017	FY 2018 Additions	FY 2018 Disposals	Balance June 30, 2018
Work in Progress	$ 25,028	$ 0	$ (25,028)	$ 0	$ 0	$ 0	$ 0
Property & Equipment	824,532	1,629,833	0	2,454,365	26,637	0	2,481,002
Accumulated Depreciation	(426,274)	(59,054)	0	(485,328)	(79,907)	0	(565,235)
NET	**$ 423,286**	**$1,570,779**	**$ (25,028)**	**$ 1,969,037**	**$ (53,270)**	**$ 0**	**$1,915,767**

DEBT

The following table provides a summary of the District's outstanding indebtedness:

	Balance June 30, 2016	FY 2017 Additions	FY 2017 Disposals	Balance June 30, 2017	FY 2018 Additions	FY 2018 Disposals	Balance June 30, 2018
RD Note (Rural Development)	$ 0	$ 1,501,088	$ 0	$ 1,501,088	$ 0	$ (24,871)	$1,476,217

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2019 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2019, several of our state contracts, including Aging, had not been finalized due to budget cuts. We are speculating that our federal and state revenues will most likely be cut. Major changes took place in the Medicaid CDO program for fiscal year 2018 that will have a large impact for the future.

CONTACTING THE DISTRICT

The financial report is designed to provide the District's citizens, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Michelle Allen, Executive Director, at 941 North Main Street, Hazard, Kentucky 41701.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,697,876
Accounts receivable	
Federal, state and local grants	551,869
Miscellaneous	11,934
Related party	119,997
Prepaid expenses	4,659
Total current assets	2,386,335
Other assets	
Certificates of deposit	350,316
Property and equipment, net	1,915,767
Total other assets	2,266,083
Total assets	4,652,418
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	1,024,279
Deferred outflows - OPEB	339,811
Total deferred outflows of resources	1,364,090
Total assets and deferred outflows of resources	$ 6,016,508
LIABILITIES	
Current liabilities	
Accounts payable	$ 124,820
Accrued expenses	94,679
Unearned grant revenue	72,814
Accrued interest	21,268
Current portion of debt	21,063
Total current liabilities	334,644
Long-term liabilities	
Accrued annual leave	128,254
Long-term portion of debt	1,455,154
Net pension liability	3,411,822
Net OPEB liability	1,171,808
Total long-term liabilities	6,167,038
Total liabilities	6,501,682
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	86,607
Deferred inflows - OPEB	61,353
Total deferred inflows of resources	147,960
NET POSITION	
Net investment in capital assets	439,550
Unrestricted	(1,072,684)
Total net position	(633,134)
Total liabilities, deferred inflows of resources and net position	$ 6,016,508

The accompanying notes are an integral part of the financial statements.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2018

OPERATING REVENUES	
Federal	$ 1,560,798
Commonwealth of Kentucky	1,101,868
Local (includes in-kind)	2,311,328
Total revenues	4,973,994
OPERATING EXPENSES	
Salaries	1,675,502
Fringe benefits	1,503,803
Travel	96,335
Subgrantees	1,243,512
Title V enrollees	227,582
Supplies	244,160
Postage	11,549
Dues, fees and subscriptions	15,697
Non-capital grant purchases and leases	74,358
Depreciation and amortization	79,907
Other (includes in-kind)	479,431
Total expenses	5,651,836
OPERATING INCOME (LOSS)	(677,842)
NON-OPERATING INCOME (EXPENSE)	
Bank interest income	3,943
Interest expense	(39,522)
Total non-operating income (expense)	(35,579)
Change in net position	(713,421)
Net position - beginning of year, as restated	240,036
Adjustment for unearned income, accounts receivable and write-offs from prior years	(159,749)
NET POSITION - END OF YEAR	$ (633,134)

The accompanying notes are an integral
part of the financial statements.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grantor agencies	$ 2,990,401
Local cash received	2,165,611
Payments to suppliers	(2,187,383)
Payments for employee services and benefits	(2,934,900)
Net cash provided by (used in) operating activities	33,729
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(26,637)
Principal paid on capital debt	(24,871)
Interest paid on capital debt	(38,727)
Net cash provided by (used in) capital and related financing activities	(90,235)
CASH FLOWS FROM INVESTING ACTIVITIES	
Bank interest income	3,943
Purchase of certificates of deposit	(768)
Net cash provided by (used in) investing activities	3,175
Net increase (decrease) in cash and cash equivalents	(53,331)
Cash and cash equivalents - beginning of the year	1,751,207
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 1,697,876
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	$ (677,842)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	79,907
Adjustments for deferred income and accounts receivable	(159,749)
Net pension and OPEB adjustment	510,677
Change in assets and liabilities:	
Receivables, net	280,396
Prepaid expenses	(3,959)
Accounts and other payables	(4,314)
Accrued expenses	(3,505)
Accrued leave	(10,525)
Unearned revenues	22,643
Net cash provided by (used in) operating activities	$ 33,729

The accompanying notes are an integral
part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kentucky River Area Development District (the District) is a non-profit governmental corporation formed pursuant to Kentucky Revised Statute (KRS) Chapter 147A; its primary purpose is the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of an eight-county area in eastern Kentucky. Executive Order 71-1267, signed November 16, 1971, designated the District as the official comprehensive planning and program development agency for eastern Kentucky. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423), which created and established the District under Kentucky law.

Reporting Entity - The District's financial statements include the operations of all entities for which its Board of Directors exercise oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Basis of Presentation - The District's financial statements conform to the provisions of the Codification of the Governmental Accounting Standards Board (GASB) as it relates to special-purpose governments.

Entity-wide financial statements - The District is a single fund, special-purpose entity that provides regional planning, development and aging services to the cities, counties and non-profit agencies within its eight county area. No entity-wide statements are required because a single proprietary fund is used for the District.

Fund Financial Statements - The District's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are prepared on a full accrual basis.

Costs for all programs, including those programs outside of the Joint Funding Administration (JFA) have been accounted for under the accounting system prescribed by the JFA. Indirect expenses have been allocated to JFA program elements and other programs on the basis of direct salary and fringe costs, allocated per employee's time records. Non-federal matching contributions are applied to individual programs on the basis of total expenses incurred on the program and the sharing ratio specified in the program agreement.

Revenue Recognition - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services. The District does not carry an allowance for doubtful accounts because it believes all receivables are collectable. Alternatively, the District writes off accounts receivable at the time it is determined they cannot be collected.

Non-Operating Income - The District recognizes investment income as non-operating income. All other income is recognized as operating income.

Restricted Net Position - The District uses restricted net position first to offset expense, when available, if both restricted and unrestricted net position is available.

Unearned Grant Revenue - Unearned revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - For purposes of the cash flow statement, the District defines cash and cash equivalents as cash in banks, funds in overnight repurchase agreements and any highly liquid investments with initial maturities of 90 days or less.

Capital Assets - Property and equipment are stated at cost and depreciated over their estimated useful lives of three (3) to forty (40) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles, leasehold improvements, land and buildings. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan.

Budgeting - The District is not required to adopt a legal budget in the manner of most local governmental entities, the budget is an operational and management tool that ensures the maximum use of resources. The budget is approved by the board of directors and monthly reports are presented to the board and management using budget comparisons.

In-Kind - In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities or services.

Compensated Absences - Employees of the District accrue sick leave at the rate of one day per month. Part-time employees earn sick leave on a pro rata basis as determined by the Executive Director. There is no limit as to the amount of sick leave that may be accrued; however, sick leave is forfeited upon termination of employment. The District will pay into the retirement system an amount equal to six months of the employers' contribution based upon the amount of sick leave the employee has accumulated, toward retirement credit of the employee. Annual leave earned is based on seniority at the rates of twelve to twenty-one days per year and can be carried forward from one year to the next. A maximum of sixty days may be carried forward. All days in excess of sixty that are forfeited are converted to sick leave at the end of the year. The accrued liability for accumulated annual leave reported on the balance sheet at June 30, 2018 is $128,254.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Other Than Pensions (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The District is a non-profit organization incorporated November 12, 1974 and is exempt from income taxes under Internal Revenue Code, 501(c)(3) as determined by the IRS in a determination letter dated October 27, 1989. The District is generally no longer subject to income tax examinations by tax authorities for years before 2014.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through November 7, 2018, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2018, have not been evaluated by the District.

2. CASH AND INVESTMENTS

Kentucky Revised Statute 66.480 authorizes local governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a policy governing interest rate risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal plus accrued interest.

The District's cash and investment balances covered by FDIC insurance or collateralized by the holding institution with an irrevocable, unconditional and non-transferable letter of credit, is detailed as of June 30, 2018:

Total cash and certificates of deposit	$ 2,110,756
FDIC Insurance	(600,316)
Collateralized by letter of credit held in District's name	-
Amount not insured/collateralized	$ 1,510,440

The District did not have the letter of credit in place between July 18, 2017 and July 17, 2018. The current letter of credit is effective from July 18, 2018 to July 18, 2019.

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consists of the following at June 30, 2018:

2014 Local projects	$ 13,199
2015 Local projects	7,700
2016 Local projects	46,062
2017 Local projects	53,960
2018 Local projects	40,873
DLG	115,216
KIA	32,676
Aging	115,748
KYDOT	14,270
CDO	108,294
KDEM – FEMA	2,394
Homecare	1,477
Total grant receivable	$ 551,869

4. CAPITAL ASSETS

The District maintains property and equipment used in its operations. Fixed assets are stated at cost and depreciated over their estimated useful lives of three (3) to forty (40) years using the straight-line method of depreciation. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan. Depreciation expense totaled $79,907 for the year ended June 30, 2018. The following summarizes the changes in fixed assets during the year ended:

	6/30/2017 Balance	Additions	Disposals	6/30/2018 Balance
Building and equipment	$ 2,454,365	$ 26,637	$ -	$ 2,481,002
Accumulated depreciation	(485,328)	(79,907)	-	(565,235)
Net	$ 1,969,037	$ (53,270)	$ -	$ 1,915,767

5. UNEARNED GRANT REVENUE

At June 30, 2018, unearned grant revenue includes revenues received, but not earned. For the District, those programs are as follows:

Grant Name	
KOHS Tower project	$ 2,497
Data collection	1,260
Senior games	5,379
RAM Event	2,736
Elder Abuse grant	1,380
Elder Abuse Council	2,633
Kentucky Caregiver	72
TBI	44
Medicare Durable Goods	1,809
Aging Community Project	4,930
Brownfields	4,957
Lee Co. Senior Center Project	6,492
Wolfe Co. Senior Center Project	286
Local dues – total	6,251
PEW Health Impact Study	32,088
Total	$ 72,814

6. LONG-TERM LIABILITIES

During the year ended June 30, 2017, the District obtained a debt issue for $1,500,000 to purchase a building for their daily operation. The debt issue is payable over 40 years with annual principal and interest payments. The first interest payment is due 1/12/2018 with final payment due 1/12/2057. The debt issue is at a fixed rate of interest of 2.875%. Interest expense for the year ended June 30, 2018 was $39,522. The following is an amortization of future maturities:

June 30,	Principal	Interest	Total
2019	$ 21,063	$ 42,537	$ 63,600
2020	21,669	41,931	63,600
2021	22,291	41,309	63,600
2022	22,932	40,668	63,600
2023	23,591	40,009	63,600
2024-2028	128,521	189,479	318,000
2029-2033	148,080	169,920	318,000
2034-2038	170,618	147,382	318,000
2039-2043	196,587	121,413	318,000
2044-2048	226,511	91,489	318,000
2049-2053	260,990	57,010	318,000
2054-2057	233,364	17,728	251,092
Totals	$ 1,476,217	$ 1,000,875	$ 2,477,092

6. LONG-TERM LIABILITIES (CONTINUED)

Change in long-term liabilities is as follows:

	6/30/2017	Additions	Payments	6/30/2018
Accrued leave	$ 138,779	$ 91,441	$ (101,966)	$ 128,254
Net Pension liability	2,729,668	899,402	(217,248)	3,411,822
Net OPEB liability	919,131	323,188	(70,511)	1,171,808
Debt	1,501,088	-	(24,871)	1,476,217
Total	$ 5,288,666	$ 1,314,031	$ (414,596)	$ 6,188,101

7. LEASES

The District entered into an operating lease for a copier on April 27, 2017. The terms of the lease require 48 monthly payments in the amount of $263 totaling $12,624. The district paid $3,156 during the year ended June 30, 2018. The District will pay $3,156 for the years ending June 30, 2019 and 2020. The District will pay $2,367 for the year ended June 30, 2021.

The District entered into operating leases for two copiers on February 26, 2016. The combined terms of the leases require 48 monthly payments in the amount of $748 totaling $35,904. The district paid $8,974 during the year ended June 30, 2018. The District will pay $8,974 for the year ending June 30, 2019 and $7,479 for the year ended June 30, 2020.

Additionally, The District also leases small equipment on an as-needed basis for short periods of time. Total lease expense for the year ended June 30, 2018 was $23,883.

8. PENSION PLAN

Kentucky River Area Development District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2018, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2018, participating employers contributed 19.18% of each employee’s wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 14.48% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

8. PENSION PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed $287,744 for the year ended June 30, 2018, or 100% of the required contribution. The contribution was allocated $217,233 to the CERS pension fund and $70,511 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
	At least	25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five (5) years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five (5) years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the District reported a liability of $3,411,822. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was .0583 percent, which was an increase of 0.0029 percent from its proportion measured at June 30, 2016, of .0554 percent.

8. PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the District recognized pension expense of $664,386. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 4,232	$ 86,607
Changes of assumptions	629,576	-
Net difference between projected and actual earnings on Plan investments	42,200	-
Changes in proportion and differences between District contributions and proportionate share of contributions	131,038	-
District contributions subsequent to the measurement date	217,233	-
Total	$ 1,024,279	$ 86,607

The $217,233 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2019	$ 330,645
2020	$ 301,639
2021	$ 131,966
2022	$ (43,811)

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and applies to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

8. PENSION PLAN (CONTINUED)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
U.S. Equity	26.5%	11.27%
Non-U.S. Equity	26.5%	2.83%
Fixed Income	12.0%	7.69%
Real Return	8.0%	4.00%
Real Estate	5.0%	5.95%
Absolute Return	10.0%	3.96%
Private Equity	10.0%	10.95%
Cash Equivalent	2.0%	3.65%
	100%	

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four (4) years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	$ 4,303,061
Current discount rate	6.25%	$ 3,411,822
1% increase	7.25%	$ 2,666,330

Payable to the Pension Plan – At June 30, 2018, the District reported a payable of $8,161 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, respectively. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2018, the employer's contribution was 4.70% to the insurance trust. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2018, the District contributed $70,511, or 100% of the required contribution.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date	Before September 1, 2008 but after July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008 and before December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the District reported a liability for its proportionate share of the net OPEB liability of $1,171,808. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2017 was .0583%.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2018, the District recognized OPEB expense of $57,659. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ -	$ 3,255
Changes of assumptions	254,978	-
Net difference between projected and actual earnings on Plan investments	-	55,379
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,719
District contributions subsequent to the measurement date	84,833	-
Total	$ 339,811	$ 61,353

The $84,833 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. This includes an adjustment of $14,322 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	$ 33,315
2020	$ 33,315
2021	$ 33,315
2022	$ 33,315
2023	$ 47,160
2024	$ 13,205

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
U.S Equity	26.5%	9.56%
Non-U.S. Equity	26.5%	2.84%
Fixed Income	12.0%	6.53%
Real Return	8.0%	3.68%
Real Estate	5.0%	8.99%
Absolute Return	10.0%	3.89%
Private Equity	10.0%	9.74%
Cash Equivalent	2.0%	2.69%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.84% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	District's proportionate share of net OPEB liability
1% decrease	4.84%	$ 1,491,061
Current discount rate	5.84%	$ 1,171,808
1% increase	6.84%	$ 906,140

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	District's proportionate share of net OPEB liability
1% decrease	$ 898,837
Current trend rate	$ 1,171,808
1% increase	$ 1,526,655

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

Payable to the Pension Plan – At June 30, 2018, the District reported a payable of $2,721 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018. The payable includes only the insurance contribution allocation.

10. COMMITMENTS AND CONTINGENCIES

The financial statements contained herein do not include any provisions or allowances for any questioned or disallowed costs.

11. KENTUCKY RIVER MEDICAID CDO, INC.

The District provides fiscal management services to Kentucky River Medicaid CDO, Inc. Kentucky River Medicaid CDO, Inc operates the Consumer Directed Options program for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Kentucky River Area District. Waiver clients have the option to choose CDO at any time. The District serves as the fiscal agent for the client and as a support broker. As clients opt for CDO, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the CDO program funding. Funds for each district are realigned and/or increased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed and the funds are paid to each district to reimburse the client account. The District was owed $119,997 for the year ended June 30, 2018.

12. PERFORMANCE CONTRACTS

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2018 the following revenues were recorded in performance contracts:

Transportation Planning	$ 80,567
Transportation Road Updates	6,163
KIA	61,591
KIA - WRIS	3,762
Waste Water Planning	370
Campton Sewer Rehab	1,500
Brownfields	243,818
Flemming Neon Water Plant	15,000
Jackson Lift Station PH. II	24,500
Hazard Water GPS	1,948
Whitesburg Daniel Boone Hotel	1,500
Ball Creek Phase II Sewer	20,000
Economic Development Leakage Study	20,753
Economic Development Recovery Grant	3,203
PEW Health Impact Study	27,912
Breathitt Elk View Project	3,814
Berea Pass-Through	10,000
Chavies Waste Water Collection	10,000
Booneville Fish Cr Loop	500
Pre-Disaster Mitigation	1,587
Flood Assistance Mitigation	985
Total performance contracts	$ 539,473

13. COST ALLOCATION PLAN

Kentucky River Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins on page 22. The District is in conformity with 2 CFR Part 225.

14. RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 75

During 2018 the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with other postemployment benefits (OPEB) through defined benefit plans that are covered under Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The guidance contained in Statement 75 changed how governments calculate and report the costs and obligations associated with OPEB. Under the new standards, GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 75 to be applied retroactively which has resulted in a restatement of beginning net position as follows:

Net position, at beginning of year	$	1,069,850
Beginning net OPEB liability		(829,814)
Net position, at beginning of year, as restated	$	240,036

REQUIRED SUPPLEMENTARY INFORMATION

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Five Fiscal Years

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0544%	0.0544%	0.0535%	0.0509%	0.0500%
District's proportionate share of the net pension liability (asset)	$ 3,411,822	$ 2,729,668	$ 2,302,187	$ 1,652,178	$1,864,681
District's covered employee payroll	$ 1,419,189	$ 1,322,534	$ 929,916	$ 1,168,143	$1,065,548
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	240.41%	206.40%	247.57%	141.44%	175.00%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%	61.22%

Notes:
There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:
The assumed investment rate of return was decreased from 7.5% to 6.25%.
The assumed rate of inflation was reduced from 3.5% to 2.3%.
Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

Once available, the above schedule will present 10 years of historical data.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
Last Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required employer contribution	$ 217,233	$ 197,977	$ 162,802	$ 159,284	$ 160,503
Contributions relative to contractually required employer contribution	217,233	197,977	162,802	159,284	160,503
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 1,525,609	$ 1,419,189	$ 1,322,534	$ 929,916	$1,168,143
Employer contributions as a percentage of covered-employee payroll	14.24%	13.95%	12.31%	17.13%	13.74%

Notes:
There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:
The assumed investment rate of return was decreased from 7.5% to 6.25%.
The assumed rate of inflation was reduced from 3.5% to 2.3%.
Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

Once available, the above schedule will present 10 years of historical data.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Two Fiscal Years

	2018	**2017**
District's proportion of the net OPEB liability	0.0583%	0.0544%
District's proportionate share of the net OPEB liability (asset)	$ 1,171,808	$ 919,031
District's covered employee payroll	$ 1,419,189	$ 1,322,534
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	82.57%	69.49%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%

Notes:
There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:
The assumed investment rate of return was decreased from 7.5% to 6.25%.
The assumed rate of inflation was reduced from 3.5% to 2.3%.
Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the Company's fiscal year payroll reported on the Schedule of Contributions.

Once available, the above schedule will present 10 years of historical data.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS
Last Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required employer contribution	$ 70,511	$ 67,128	$ 62,822	$ 61,465	$ 60,159
Contributions relative to contractually required employer contribution	70,511	67,128	62,822	61,465	60,159
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 1,525,609	$ 1,419,189	$ 1,322,534	$ 929,916	$ 1,168,143
Employer contributions as a percentage of covered-employee payroll	4.62%	4.73%	4.75%	6.61%	5.15%

Notes:
There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:
The assumed investment rate of return was decreased from 7.5% to 6.25%.
The assumed rate of inflation was reduced from 3.5% to 2.3%.
Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS OPEB fund.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability.

Once available, the above schedule will present 10 years of historical data.

SUPPLEMENTARY INFORMATION

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
for the year ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	$ 1,278,478	$ 1,278,478	$ 1,560,798	$ 282,320
State funds	984,011	984,011	1,101,868	117,857
Local dues	44,184	44,184	44,308	124
Local service and other funds	2,117,600	2,117,600	2,270,963	153,363
Total revenues	4,424,273	4,424,273	4,977,937	553,664
EXPENSES				
Salaries and wages	1,428,431	1,428,431	1,675,502	247,071
Employee benefits	962,712	962,712	1,503,803	541,091
Travel	92,000	92,000	96,335	4,335
Aging pass through to local agencies	639,604	639,604	1,243,512	603,908
Title V enrollees	242,487	242,487	227,582	(14,905)
Accounting	35,500	35,500	22,900	(12,600)
Supplies	261,600	261,600	244,160	(17,440)
Postage	11,000	11,000	11,549	549
Dues, fees and subscriptions	15,202	15,202	15,697	495
Equipment, leases and depreciation	251,566	251,566	154,265	(97,301)
Other costs	604,754	604,754	496,053	(108,701)
Total expenses	4,544,856	4,544,856	5,691,358	1,146,502
EXCESS (EXPENSES) OVER REVENUES	$ (120,583)	$ (120,583)	$ (713,421)	$ (592,838)

COST ALLOCATION POLICY

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY

All funds expended by Kentucky River Area Development District are charged either to a specific grant and/or program element as a Direct Charge or spread to all grants and/or program elements as a Shared (Indirect) cost. Direct charges are defined in 2 CFR Part 225 as those that can be identified specifically with a particular cost objective. Shared (Indirect) costs are those incurred for a common or joint purpose benefiting more than one grant and/or program element. Shared costs are allocated proportionately to all programs based upon each programs' direct salary and direct benefit charges. Below is a listing of direct and shared costs as they are charged by the District.

<u>Direct/Shared Costs</u>

1. **Salary -** Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer and any employee whose time is so fragmented between elements are charged as shared costs.

2. **Employee Burden** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost is also charged as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is charged as a shared cost.

3. **Consultant Contracts and Contractual Services -** Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.

4. **Printing -** Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.

5. **Travel -** All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs for staff and board member are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.

6. **Vacation, Sick and Holiday Leave -** All leave which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as a direct cost. Any leave which is related to an employee whose salary is being charged as a shared cost is also charged as a shared cost.

7. **Audit Fees -** All audit fees are charged as a shared cost.

8. **Space Cost -** The space cost is charged as a shared cost.

9. **Equipment Rental/Purchase –** During the course of the year, all payments for office equipment that benefit all grants and/or program elements are charged as shared costs. In accordance with the District's policy on capitalization, all equipment purchases under $5,000 are charged as shared costs to all grants and program elements. Equipment purchases in excess of $5,000 are ineligible grant costs and therefore are paid out of local cash. These items are then depreciated, and the depreciation is charged as a shared cost.

10. **Communications -** All communication costs, including telephone, postage and the like, are charged as shared costs.

11. All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or prohibited by Federal regulations.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2018

Cost Category

Personnel compensation	$ 262,220
Fringe benefits	147,206
Travel	6,822
Accounting	22,900
Supplies	43,233
Postage	11,331
Telephone and utilities	36,672
Dues, fees and subscriptions	17,172
Equipment, leases and depreciation	125,113
Other	68,515
Total shared costs allocated	$ 741,184

STATEMENTS OF OPERATIONS
BY PROGRAM

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2018

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	CDO	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	$ 202,617	$ 1,095,515	$ -	$ -	$ 262,666	$ -	$ -	$ 1,560,798
State	203,747	746,038	-	-	152,083	-	-	1,101,868
Local	-	855,212	-	-	936	93,318	-	949,466
Other	-	12,713	21,841	1,191,511	123,425	-	-	1,349,490
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	16,315	-	-	-	-	-	16,315
Applied to programs	21,377	295,617	-	84,166	33,176	(434,336)	-	-
Total revenues	427,741	3,021,410	21,841	1,275,677	572,286	(341,018)	-	4,977,937
Expenses								
Salaries	183,437	706,084	-	402,868	120,893	-	262,220	1,675,502
Employee benefits	111,348	394,951	-	268,674	70,947	510,677	147,206	1,503,803
Travel	12,316	43,571	-	17,104	16,522	-	6,822	96,335
Subgrantees	-	1,243,512	-	-	-	-	-	1,243,512
Other costs	13,336	313,688	21,841	147,021	274,583	76,801	324,936	1,172,206
Total direct cost	320,437	2,701,806	21,841	835,667	482,945	587,478	741,184	5,691,358
Shared costs	107,304	319,604	-	244,445	69,831	-	(741,184)	-
Total expenses	427,741	3,021,410	21,841	1,080,112	552,776	587,478	-	5,691,358
Revenue over expenses	$ -	$ -	$ -	$ 195,565	$ 19,510	$ (928,496)	$ -	$ (713,421)

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2018

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		$ 202,617			$ 202,617	$ -	
State Funds		203,747			203,747	-	
Local Funds		-			21,377	21,377	
		406,364			427,741	21,377	
Expenses							
Community & Economic Planning & Development	120	87,500	66,661	23,315	89,976	2,476	
Community Development Block Grant	125	35,754	30,351	10,082	40,433	4,679	
ARC Planning	130	215,431	171,386	55,459	226,845	11,414	
Management Assistance	140	52,520	40,446	14,241	54,687	2,167	
Program Administration	150	15,159	11,593	4,206	15,799	640	
		406,364	320,437	107,304	427,741	21,377	-
Revenues over expenses		$ -			$ -	$ -	

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2018

	Agency Adminis-tration	Social Services III-B	Om-budsman III-B	Admin Title III C1	Cong. Meals III-C1	Admin Title III C2	H.D. Meals III-C2	Preventative Health III-D	Caregiver Admin III E	Caregiver Services / ADRC	Title VII Elder Abuse	Title VII Ombuds-man	Total Homecare	Total Title V	**Subtotal Contracts**
Revenues															
Federal grant	$ 14,491	$ 122,691	$ 17,000	$ 19,016	$ 195,866	$ 9,823	$ 172,296	$ 9,481	$ 6,385	$ 62,643	$ 2,445	$ 4,034	$ -	$ 287,985	$ 924,156
State grant	8,959	47,258	3,000	7,339	60,205	6,403	27,890	1,707	1,597	20,881	440	726	517,686	-	704,091
Local	-	336,443	-	-	290,410	-	176,913	19,662	-	-	-	-	-	31,784	855,212
Other	-	2,361	216	-	8,933	-	-	-	-	-	-	-	1,203	-	12,713
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	6,395	-	-	9,765	-	155	-	-	-	-	-	-	-	16,315
Local funds applied	1,957	61,590	1,970	2,435	99,706	1,833	20,941	2,497	879	8,015	581	1,041	58,195	6,106	267,745
Total revenues	25,407	576,738	22,186	28,790	664,885	18,059	398,195	33,347	8,861	91,539	3,466	5,801	577,084	325,875	2,780,232
Expenses															
Salaries	10,217	48,517	8,726	11,968	60,942	7,145	20,110	3,811	3,397	20,584	1,512	2,516	215,272	238,370	653,087
Fringe benefits	6,364	38,508	5,802	7,292	56,794	4,264	15,363	2,985	2,356	14,428	1,029	1,737	168,190	33,856	358,968
Staff travel	319	6,991	1,406	96	1,108	72	143	161	57	66	-	-	29,146	2,424	41,989
Subgrantees	-	433,480	-	-	401,000	-	287,086	23,901	-	-	-	-	-	31,784	1,177,251
Other costs	2,471	17,564	964	2,423	102,184	2,425	62,581	15	957	43,716	-	-	24,893	1,529	261,722
Total direct cost	19,371	545,060	16,898	21,779	622,028	13,906	385,283	30,873	6,767	78,794	2,541	4,253	437,501	307,963	2,493,017
Shared costs	6,036	31,678	5,288	7,011	42,857	4,153	12,912	2,474	2,094	12,745	925	1,548	139,583	17,912	287,215
Total expenses	25,407	576,738	22,186	28,790	664,885	18,059	398,195	33,347	8,861	91,539	3,466	5,801	577,084	325,875	2,780,232
Revenue over expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2018

	KY LTC Ombudsman	KY Caregiver / ADRC	Medicaid ADRC	CMS SHIP	CDSME	IAO	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	FAST	NSIP	**Subtotal Contracts**	**Total Area Agency on Aging**
Revenues													
Federal grant	$ -	$ -	$ 8,154	$ 18,146	$ -	$ 5,500	$ 10,853	$ 8,279	$ 3,588	$ 1,000	$ 115,839	$ 171,359	$ 1,095,515
State grant	33,793	-	8,154	-	-	-	-	-	-	-	-	41,947	746,038
Local	-	-	-	-	-	-	-	-	-	-	-	-	855,212
Other	-	-	-	-	-	-	-	-	-	-	-	-	12,713
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	16,315
Local funds applied	4,348	1,748	13,560	3,177	560	(4,583)	2,503	3,125	3,423	11	-	27,872	295,617
Total revenues	38,141	1,748	29,868	21,323	560	917	13,356	11,404	7,011	1,011	115,839	241,178	3,021,410
Expenses													
Salaries	16,147	402	13,226	8,923	252	247	5,799	4,932	3,069	-	-	52,997	706,084
Fringe benefits	10,443	513	8,671	6,611	133	182	3,939	3,420	2,071	-	-	35,983	394,951
Staff travel	1,124	-	-	135	35	203	73	12	-	-	-	1,582	43,571
Subgrantees	-	-	-	-	-	-	-	-	-	-	66,261	66,261	1,243,512
Other costs	748	500	-	-	-	129	-	-	-	1,011	49,578	51,966	313,688
Total direct cost	28,462	1,415	21,897	15,669	420	761	9,811	8,364	5,140	1,011	115,839	208,789	2,701,806
Shared costs	9,679	333	7,971	5,654	140	156	3,545	3,040	1,871	-	-	32,389	319,604
Total expenses	38,141	1,748	29,868	21,323	560	917	13,356	11,404	7,011	1,011	115,839	241,178	3,021,410
Revenue over expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HOMECARE
for the year ended June 30, 2018

	Admin	Assessment	Case Management	Social Services	H.D.Meals	**Total Homecare**
Revenues						
Federal grant	$ -	$ -	$ -	$ -	$ -	$ -
State grant	47,012	8,130	158,178	289,276	15,090	517,686
Local	-	-	-	-	-	-
Other	-	-	1,203	-	-	1,203
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	4,306	327	40,717	12,845	-	58,195
Total revenues	51,318	8,457	200,098	302,121	15,090	577,084
Expenses						
Salaries	20,073	3,179	79,636	112,384	-	215,272
Fringe benefits	13,177	2,718	62,597	89,698	-	168,190
Staff travel	124	413	3,300	25,309	-	29,146
Subgrantees	-	-	-	-	-	-
Other costs	5,841	-	2,791	1,171	15,090	24,893
Total direct cost	39,215	6,310	148,324	228,562	15,090	437,501
Shared costs	12,103	2,147	51,774	73,559	-	139,583
Total expenses	51,318	8,457	200,098	302,121	15,090	577,084
Revenue over expenses	$ -	$ -	$ -	$ -	$ -	$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE V
for the year ended June 30, 2018

	Title V			
	Admin	Enrollees	Other	**Total Title V**
Revenues				
Federal grant	$ 21,161	$ 223,018	$ 43,806	$ 287,985
State grant	-	-	-	-
Local	-	-	31,784	31,784
Other	-	-	-	-
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	4,848	-	1,258	6,106
Total revenues	26,009	223,018	76,848	325,875
Expenses				
Salaries	11,952	206,626	19,792	238,370
Fringe benefits	6,508	16,392	10,956	33,856
Staff travel	700	-	1,724	2,424
Subgrantees	-	-	31,784	31,784
Other costs	129	-	1,400	1,529
Total direct cost	19,289	223,018	65,656	307,963
Shared costs	6,720	-	11,192	17,912
Total expenses	26,009	223,018	76,848	325,875
Revenue over expenses	$ -	$ -	$ -	$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OERATIONS
OTHER AGING PROGRAMS
for the year ended June 30, 2018

	Elder Council	Senior Games	Community Service Projects	**Total Other Aging**
Revenues				
Federal grant	$ -	$ -	$ -	$ -
State grant	-	-	-	-
Local	-	-	-	-
Other	8,792	9,327	3,722	21,841
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	-	-	-
Total revenues	8,792	9,327	3,722	21,841
Expenses				
Salaries	-	-	-	-
Fringe benefits	-	-	-	-
Staff travel	-	-	-	-
Subgrantees	-	-	-	-
Other costs	8,792	9,327	3,722	21,841
Total direct cost	8,792	9,327	3,722	21,841
Shared costs	-	-	-	-
Total expenses	8,792	9,327	3,722	21,841
Revenue over expenses	$ -	$ -	$ -	$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
CONSUMER DIRECTED OPTION (CDO)
for the year ended June 30, 2018

	HCB Fin. Mgmt.	HCB Support Brok.	Durable Goods	**Total CDO**
Revenues				
Federal grant	$ -	$ -	$ -	$ -
State grant	-	-	-	-
Local	-	-	-	-
Other	515,115	539,676	136,720	1,191,511
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	84,166	-	84,166
Total revenues	515,115	623,842	136,720	1,275,677
Expenses				
Salaries	142,540	260,328	-	402,868
Fringe benefits	90,647	178,027	-	268,674
Staff travel	56	17,048	-	17,104
Subgrantees	-	-	-	-
Other costs	1,426	8,875	136,720	147,021
Total direct cost	234,669	464,278	136,720	835,667
Shared costs	84,882	159,564	-	244,446
Total expenses	319,551	623,842	136,720	1,080,113
Revenue over expenses	$ 195,564	$ -	$ -	$ 195,564

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2018

	Transportation Planning	Transportation Road Updates	Waste Water Planning	Pre-Disaster Mitigation	Flood Assistance Mitigation	Brownfields	Misc. Performance Contracts	Total
Revenues								
Federal	$ -	$ -	$ -	$ 1,409	$ 985	$ 242,519	$ 17,753	$ 262,666
State	80,567	6,014	-	-	-	-	65,502	152,083
Local	-	-	-	936	-	-	-	936
Other	-	-	370	178	-	-	122,877	123,425
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Applied to programs	17,872	11,577	247	1,838	1,642	-	-	33,176
Total revenues	98,439	17,591	617	4,361	2,627	242,519	206,132	572,286
Expenses								
Salaries	42,906	6,357	-	1,541	1,164	6,226	62,699	120,893
Employee benefits	25,114	6,178	-	970	762	3,417	34,506	70,947
Travel	5,262	493	-	-	-	1,773	8,994	16,522
Subgrantees	-	-	-	-	-	-	-	-
Other costs	397	-	617	936	-	227,593	45,040	274,583
Total direct cost	73,679	13,028	617	3,447	1,926	239,009	151,239	482,945
Shared costs	24,760	4,563	-	914	701	3,510	35,383	69,831
Total expenses	98,439	17,591	617	4,361	2,627	242,519	186,622	552,776
Revenue over expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,510	$ 19,510

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INDEPENDENT AUDITORS' 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*

The Board of Directors
Kentucky River Area Development District
Hazard, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kentucky River Area Development District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

RFH

RFH, PLLC
Lexington, Kentucky
November 7, 2018

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

RFH

RFH, PLLC
Lexington, Kentucky
November 7, 2018

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2018

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Amount Passed to Subrecipients	Expenditures
Appalachian Regional Commission					
Direct Award					
ARC Planning	23.009	KY-702-I-C49-18	7/1/17-6/30/18	$ -	$ 89,870
JFA - Management Assistance	23.009	KY-702-I-C49-18	7/1/17-6/30/18	-	17,710
JFA - Program Assistance	23.009	KY-702-I-C49-18	7/1/17-6/30/18	-	7,160
Total Appalachian Regional Commission				-	114,740
U.S. Department of Commerce					
Economic Development Administration					
Direct Award - Economic Leakage Study	11.302	04-86-07109	9/25/15-9/25/16	-	17,753
Passed through State (DLG) **(Note 1)**					
JFA - Community and Economic Assistance	11.302	PON2 112 1800000292 1	9/30/17-6/30/18	-	70,000
Total Department of Commerce				-	87,753
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) **(Note 1)**					
JFA - CDBG	14.228	PON2 112 1800000292 1	9/30/17-6/30/18	-	17,877
U.S. Environmental Protection Administration					
Direct Award					
Brownfields Assessment and Cleanup	66.818	00D46216	10/1/16-9/30/19	-	242,519
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS/DAIL) **(Note 2)**					
Title III, Part B & C, NSIP Aging Cluster					
Title III B Support Services	93.044	PON2 725 1700002624 4	7/1/17-6/30/18	77,629	142,981
Title III C1 Congregate Meals	93.045	PON2 725 1700002624 4	7/1/17-6/30/18	90,428	219,944
Title III C2 Home Delivered Meals	93.045	PON2 725 1600001203 4	7/1/16-6/30/17	98,906	186,410
NSIP	93.053	PON2 725 1800000566 2	10/1/17-9/30/18	-	115,839
Total aging cluster				266,963	665,173
Title VII Elder Abuse	93.041	PON2 725 1700002626 3	7/1/17-6/30/18	-	2,445
Title VII Ombudsman	93.042	PON2 725 1700002626 3	7/1/17-6/30/18	-	4,034
Title III D Preventative Health	93.043	PON2 725 1700002624 4	7/1/17-6/30/18	3,577	9,704
Title III E Caregiver	93.052	PON2 725 1700002624 4	7/1/17-6/30/18	-	70,654
FAST	93.069	PON2 725 1700002632 1	7/1/17-6/30/18		1,000
MIPPA SHIP/ AAA/ ADRC	93.071	PON2 725 1800000579 2	9/30/17-9/29/18	-	22,720
CMS SHIP	93.324	PON2 725 1700002623 1	7/1/17-6/30/18	-	18,146
Medicaid ADRC	93.778	PON2 725 1700002631 3	7/1/17-6/30/18	-	8,154
IAO	93.945	PON2 725 1700002633 4	7/1/17-6/30/18	-	5,500
Total HHS				270,540	807,530
U.S. Department of Labor (DOL)					
Passed through State (CHFS/DAIL)					
Title V SCSEP	17.235	PON2 725 1700002625 3	7/1/17-6/30/18	-	287,985
U.S. FEMA					
Passed through Kentucky Division of Emergency Management					
Pre-Disaster Mitigation	97.047	PDMC-PL-04-KY-2014-0005	1/31/15-9/30/16	-	1,409
FEMA Flood Mitigation Assistance	97.029	PON2 095 1500000948 1	1/30/15-9/30/17	-	985
Total FEMA				-	2,394
Total federal awards, as presented in the financial statements				$ 270,540	$ 1,560,798

Notes:

1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).

2) The Health & Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services (CHFS), Department of Aging and Independent Living (DAIL).

3) Unearned revenue from other grantors both current and prior are disclosed in Note 5 to the financial statements.

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kentucky River Area Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Indirect Cost Rates: The Kentucky River Area District did not elect to use the 10 percent *de minimis* cost rate as allowed under the *Uniform Guidance.*

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:
Type of auditors' report issued: Unmodified

Internal control over financial reporting:		
Material weaknesses identified	__Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	X None reported
Non-compliance material to financial statements noted	__Yes	X No
Federal Awards:		
Internal control over major programs:		
Material weaknesses identified	__Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	X None reported

Type of auditors' report issued on compliance for major programs:
Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__Yes	X No

Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.044, 93.045, 93.053	Title III, Part B & C, NSIP Aging Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as a low-risk auditee?	X Yes	__No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS
NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
NONE

IV. PRIOR AUDIT FINDINGS
NONE