

**KENTUCKY RIVER AREA
DEVELOPMENT DISTRICT
Hazard, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2019**

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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 governmental activities, each major fund, and the aggregate remaining fund information of Kentucky River Area Development District (the District) as of and for the year ended June 30, 2019, 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 opinions 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 auditor considers 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kentucky River Area Development District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Reporting Model

As discussed in Note 1 to the financial statements, effective July 1, 2018, the District changed its reporting model in order to better conform to the reporting requirements of the Governmental Accounting Standards Board (GASB). This change required a restatement of net position as of July 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, the schedule of proportionate share of the net pension liability and the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability and the schedule of OPEB contributions on pages 3-5 and 25-29 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 Kentucky River Area Development District's basic financial statements. The cost allocation policy, schedule of shared costs and statements of operation 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 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, 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 December 4, 2019 on our consideration of 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 Kentucky River Area Development District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 4, 2019

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 2019 and 2018. 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

This annual report consists of a series of financial statements. As described in Note 1 to the financial statements, the District changed reporting models during the year ended June 30, 2019 to the government-wide – multi-program reporting model. The multi-program reporting model requires the presentation of both government-wide and fund financial statements. The government-wide statements start on page 6. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 8. For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide detail financial information for the benefit of those outside of the government.

FINANCIAL ANALYSIS OF THE DISTRICT

The condensed statement of net position reveals that long-term liabilities increased significantly due to an increase in the net pension liability and the net OPEB liability. Unrestricted net position for fiscal year 2019 decreased by \$656,731 primarily due to the effect of GASB 68 and GASB 75. The current year increase in the net pension liability totaled \$682,154. The current year increase in the net OPEB liability totaled \$274,639.

Condensed Statement of Net Position

	<u>FY 2019</u>	<u>FY 2018</u>
Current Assets	\$ 2,211,683	\$ 2,386,335
Other Assets	2,288,182	2,266,083
Deferred Outflows of Resources	<u>1,168,225</u>	<u>1,364,090</u>
Total Assets & Deferred Outflows	<u>\$ 5,668,090</u>	<u>\$ 6,016,508</u>
Current Liabilities	\$ 289,489	\$ 334,644
Long-term Liabilities	6,326,265	6,167,038
Deferred Inflows of Resources	302,113	147,960
Net Position		
Investment in capital assets	479,638	439,550
Unrestricted	<u>(1,729,415)</u>	<u>(1,072,684)</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 5,668,090</u>	<u>\$ 6,016,508</u>

The statement of activities provides a more detailed look at the nature of these changes. The District incurred a loss of (\$589,186) for the year ended June 30, 2019, compared to a loss of (\$713,421) in 2018. Revenues decreased as did expenses. The decrease in revenue was \$106,988, while the decrease in expenses totaled \$231,223. This resulted in a \$124,235 positive impact on change in net position.

Statement of Activities

	<u>FY 2019</u>	<u>FY 2018</u>
Revenues		
Charges for service	\$ 2,245,761	\$ 2,205,638
Operating grants and contributions	2,497,030	2,678,981
General revenue	<u>128,158</u>	<u>93,318</u>
Total Revenues	<u>4,870,949</u>	<u>4,977,937</u>
Operating Expenses		
General government	604,575	587,478
Community/economic development	411,186	427,741
Aging and independent living services	3,962,868	4,123,363
Other services	436,197	552,776
Interest	<u>45,309</u>	<u>0</u>
Total Expenses	<u>5,460,135</u>	<u>5,691,358</u>
Change in Net Position	(589,186)	(713,421)
Net Position – Beginning of the Year	(633,134)	240,036
Adjustments for deferred income, A/R, & write-offs	<u>(27,457)</u>	<u>(159,749)</u>
Net Position – End of Year	<u>\$ (1,249,777)</u>	<u>\$ (633,134)</u>

CAPITAL ASSETS

The District invested \$96,020 in capital assets for fiscal year 2019. This amount primarily includes the purchase of 2 buses for the aging program. Accumulated depreciation increased \$73,921. The net investment in fixed assets at the end of fiscal year 2019 totaled \$479,638 (assets less related debt).

	Balance June 30, 2017	FY 2018 Additions	FY 2018 Disposals	Balance June 30, 2018	FY 2019 Additions	FY 2019 Disposals	Balance June 30, 2019
Property & Equipment	\$ 2,454,365	\$ 26,637	\$ 0	\$ 2,481,002	\$ 96,020	\$ 0	\$ 2,577,022
Accumulated Depreciation	<u>(485,328)</u>	<u>(79,907)</u>	<u>0</u>	<u>(565,235)</u>	<u>(73,921)</u>	<u>0</u>	<u>(639,156)</u>
NET	<u>\$ 1,969,037</u>	<u>\$ (53,270)</u>	<u>\$ 0</u>	<u>\$ 1,915,767</u>	<u>\$ 22,099</u>	<u>\$ 0</u>	<u>\$ 1,937,866</u>

DEBT

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

	Balance June 30, 2017	FY 2018 Additions	FY 2018 Payments	Balance June 30, 2018	FY 2019 Additions	FY 2019 Payments	Balance June 30, 2019
RD Note (Rural Development)	<u>\$ 1,501,088</u>	<u>\$ 0</u>	<u>\$ (24,871)</u>	<u>\$ 1,476,217</u>	<u>\$ 0</u>	<u>\$ (17,989)</u>	<u>\$ 1,458,228</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2020 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2020, several of our state contracts had not been finalized due to budget cuts. We are speculating that our federal and state revenues will most likely be cut slightly.

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, 2019

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,458,972
Accounts receivable	
Federal, state and local grants	621,268
Miscellaneous	9,657
Related party	119,997
Prepaid expenses	<u>1,789</u>
Total current assets	<u>2,211,683</u>
Other assets	
Certificates of deposit	350,316
Property and equipment, net	<u>1,937,866</u>
Total other assets	<u>2,288,182</u>
Total assets	<u>4,499,865</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	837,945
Deferred outflows - OPEB	<u>330,280</u>
Total deferred outflows of resources	<u>1,168,225</u>
Total assets and deferred outflows of resources	<u>\$ 5,668,090</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 108,717
Accrued expenses	101,743
Unearned grant revenue	36,394
Accrued interest	20,966
Current portion of debt	<u>21,669</u>
Total current liabilities	<u>289,489</u>
Long-term liabilities	
Accrued annual leave	128,582
Long-term portion of debt	1,436,559
Net pension liability	3,686,461
Net OPEB liability	<u>1,074,663</u>
Total long-term liabilities	<u>6,326,265</u>
Total liabilities	<u>6,615,754</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	98,165
Deferred inflows - OPEB	<u>203,948</u>
Total deferred inflows of resources	<u>302,113</u>

NET POSITION

Net investment in capital assets	479,638
Unrestricted	<u>(1,729,415)</u>
Total net position	<u>(1,249,777)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,668,090</u>

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
Primary government:	Direct Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities						
General government	\$ 151,498	\$ -	\$ -	\$ 86,000	\$ -	\$ (65,498)
Community/Economic development	367,517	103,128	-	389,288	-	(81,357)
Aging and independent living services	3,791,767	520,257	2,089,126	1,720,138	-	(502,760)
Other services	402,812	77,846	156,635	301,604	-	(22,419)
Interest on long-term debt	45,309	-	-	-	-	(45,309)
Total primary government	\$ 4,758,903	\$ 701,232	\$ 2,245,761	\$ 2,497,030	\$ -	(717,344)
General revenues:						
						88,616
						36,600
						2,942
						128,158
						Change in Net Positon
						(589,186)
						Net position adjustments
						relating to prior years activity
						(27,457)
						Net position-beginning
						(633,134)
						NET POSITION-ENDING
						\$ (1,249,777)

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Current assets			
Cash - unrestricted	\$ 907,614	\$ 551,358	\$ 1,458,972
Certificates of deposit	350,316	-	350,316
Accounts receivable, net	9,657	621,268	630,925
Accounts receivable, related party	-	119,997	119,997
Prepaid expense	-	1,789	1,789
Total assets	\$ 1,267,587	\$ 1,294,412	\$ 2,561,999
LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	\$ -	\$ 108,717	\$ 108,717
Accrued liabilities	-	101,743	101,743
Unearned grant revenue	-	36,394	36,394
Total liabilities	-	246,854	246,854
Fund balance			
Nonspendable	-	1,789	1,789
Restricted	63,564	1,045,769	1,109,333
Unassigned	1,204,023	-	1,204,023
Total fund balance	1,267,587	1,047,558	2,315,145
Total liabilities and fund balance	\$ 1,267,587	\$ 1,294,412	\$ 2,561,999
Total government fund balance			\$ 2,315,145
Amount reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, net of accumulated depreciation			1,937,866
Long-term liabilities and related pension and OPEB deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds			(5,502,788)
Net position of governmental activities			\$ (1,249,777)

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	General Fund	Special Revenue Fund	Total Government Funds
REVENUES			
Federal	\$ 86,000	\$ 1,484,517	\$ 1,570,517
State	-	926,513	926,513
Local / service fees (includes in-kind and program income)	128,158	2,245,761	2,373,919
Total revenues	214,158	4,656,791	4,870,949
EXPENDITURES			
Current			
General government	2,814	-	2,814
Community/Economic Development	-	411,186	411,186
Aging and Independent Living Services	-	3,962,868	3,962,868
Other services	-	436,196	436,196
Capital outlay	96,020	-	96,020
Debt service	63,600	-	63,600
Total expenditures	162,434	4,810,251	4,972,685
Excess of revenues over (under) expenditures	51,724	(153,460)	(101,736)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(391,837)	391,837	-
Net change in fund balance	(340,113)	238,377	(101,736)
Fund balance - beginning, as restated	1,607,700	809,181	2,416,881
FUND BALANCE - END OF YEAR	\$ 1,267,587	\$ 1,047,558	\$ 2,315,145
Net change in fund balance - total governmental funds			\$ (101,736)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:			
Capital outlay			96,020
Depreciation expense			(73,921)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position			17,989
Change in accrued interest payable			302
Change in accrued annual leave			(328)
Change in the net pension and OPEB liabilities and related deferred inflows and outflows			(527,512)
Change in net position of governmental activities			\$ (589,186)

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

During the year ended June 30, 2019, the District's management completed an assessment of the District's operations and determined that a change in reporting model should be made to better conform to the reporting requirements established by GASB.

The following is a summary of the basis of presentation:

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support. The District did not have any business-type activities during the year.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

Government Fund Types

- The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use, unless otherwise noted. This is always a major fund of the District.
- The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources that are restricted to disbursements for specified purposes. The Special Revenue Fund includes JFA (Joint Funding Agreement), Transportation, Aging, Participant Directed Services (PDS) and other grant programs. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

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 government-wide 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 (government-wide statements). 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.

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance:

GASB provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, governmental laws regulations or imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the District imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that can report an unassigned fund balance amount.

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

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, 2019 is \$128,582.

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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets - 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.

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.

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.

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 2015.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through December 4, 2019, 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, 2019, have not been evaluated by the District.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

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 that is effective from July 18, 2018 to July 18, 2019, is detailed as of June 30, 2019:

Total cash and certificates of deposit	\$ 1,970,417
FDIC Insurance	(601,754)
Collateralized by letter of credit held in District's name	<u>(1,368,663)</u>
Amount not insured/collateralized	<u>\$ -</u>

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consists of the following at June 30, 2019:

2014 Local projects	\$ 3,199
2015 Local projects	7,700
2016 Local projects	40,221
2017 Local projects	38,386
2018 Local projects	17,730
2019 Local projects	78,736
DLG	82,947
Aging	241,338
KYDOT	14,720
CDO	<u>96,291</u>
 Total grant receivable	 <u>\$ 621,268</u>

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 \$73,921 for the year ended June 30, 2019. The following summarizes the changes in fixed assets during the year ended June 30, 2019:

	6/30/2018	6/30/2019	6/30/2019	6/30/2019
	Balance	Additions	Disposals	Balance
Building and equipment	\$ 2,481,002	\$ 96,020	\$ -	\$ 2,577,022
Accumulated depreciation	<u>(565,235)</u>	<u>(73,921)</u>	<u>-</u>	<u>(639,156)</u>
 Net	 <u>\$ 1,915,767</u>	 <u>\$ 22,099</u>	 <u>\$ -</u>	 <u>\$ 1,937,866</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

5. UNEARNED GRANT REVENUE

At June 30, 2019, 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	5,284
RAM Event	2,736
Elder Abuse grant	732
Elder Abuse Council	1,855
Kentucky Caregiver	72
Nsip	1,330
TBI	44
Aging Community Project	6,504
Lee Co. Senior Center Project	5,244
Wolfe Co. Senior Center Project	43
Local dues – total	438
PEW Health Impact Study	7,275
Community Events Fund	<u>1,080</u>
Total	<u>\$ 36,394</u>

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 was 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, 2019 totaled \$45,309. The following is an amortization of future maturities:

	June 30,	Principal	Interest	Total
2020	\$	21,669	\$	41,931
2021		22,291		41,309
2022		22,932		40,668
2023		23,591		40,009
2024		24,269		39,331
2025-2029		132,214		185,786
2030-2034		152,336		165,664
2035-2039		175,522		142,478
2040-2044		202,238		115,762
2045-2049		233,021		84,979
2050-2054		268,492		49,508
2055-2057		<u>179,653</u>		<u>10,912</u>
Totals		<u>\$ 1,458,228</u>		<u>\$ 958,337</u>
				<u>\$ 2,416,565</u>

Change in long-term liabilities is as follows:

	6/30/2018	Additions	Payments	6/30/2019
Accrued leave	\$ 128,254	\$ 87,668	\$ (87,340)	\$ 128,582
Net pension liability	3,411,822	493,368	(218,729)	3,686,461
Net OPEB liability	1,171,808	(26,222)	(70,923)	1,074,663
Debt	<u>1,476,217</u>	<u>-</u>	<u>(17,989)</u>	<u>1,458,228</u>
Total	<u>\$ 6,188,101</u>	<u>\$ 554,814</u>	<u>\$ (394,981)</u>	<u>\$ 6,347,934</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019. The District will pay \$3,156 for the year ending June 30, 2020 and 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, 2019 and the District will pay \$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. Lease expense for the year ended June 30, 2019 totaled \$25,358.

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, 2019, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are 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, 2019, participating employers contributed 21.48% 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 16.22% 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.

Plan members who began participating on, or after, January 1, 2014, are 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 \$289,661 for the year ended June 30, 2019, or 100% of the required contribution. The contribution was allocated \$218,729 to the CERS pension fund and \$70,932 to the CERS insurance fund.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. PENSION PLAN (CONTINUED)

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 Unreduced retirement Reduced retirement At least	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ 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, 2019, the District reported a liability of \$3,686,461. The net pension liability was measured as of June 30, 2018 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, 2018, the District's proportion was .0605 percent, which was an increase of 0.0022 percent from its proportion measured at June 30, 2017, of .0583 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$691,249. At June 30, 2019, 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	\$ 120,242	\$ 53,962
Changes of assumptions	360,275	-
Net difference between projected and actual earnings on Plan investments	-	44,203
Changes in proportion and differences between District contributions and proportionate share of contributions	138,699	-
District contributions subsequent to the measurement date	<u>218,729</u>	<u>-</u>
Total	<u>\$ 837,945</u>	<u>\$ 98,165</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. PENSION PLAN (CONTINUED)

The \$218,729 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, 2020. 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,	
2020	\$ 372,163
2021	\$ 196,973
2022	\$ (28,300)
2023	\$ (19,785)

Actuarial Assumptions – The total pension liability in the June 30, 2018 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. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. PENSION PLAN (CONTINUED)

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 Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

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 25-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%	\$ 4,640,873
Current discount rate	6.25%	\$ 3,686,461
1% increase	7.25%	\$ 2,886,832

Payable to the Pension Plan – At June 30, 2019, the District reported a payable of \$9,697 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, respectively. The payable includes only the pension contribution allocation.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019, the employer’s contribution was 5.26% 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 \$70,932, 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 Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required 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, 2019, the District reported a liability for its proportionate share of the net OPEB liability of \$1,074,663. The net OPEB liability was measured as of June 30, 2018, 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, 2018 was .0605 percent which was an increase of .0022 percent compared to June 30, 2017 which was .0583 percent.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$141,754. At June 30, 2019, 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	\$ -	\$ 125,238
Changes of assumptions	214,626	2,483
Net difference between projected and actual earnings on Plan investments	-	74,023
Changes in proportion and differences between District contributions and proportionate share of contributions	27,385	2,204
District contributions subsequent to the measurement date	<u>88,269</u>	<u>-</u>
Total	<u>\$ 330,280</u>	<u>\$ 203,948</u>

The \$88,269 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, 2020. This includes an adjustment of \$17,337 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,	
2020	\$ 8,477
2021	\$ 8,477
2022	\$ 8,477
2023	\$ 22,853
2024	\$ (4,697)
2025	\$ (5,524)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 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 7.00% 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 5.00% 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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85% 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 25-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 3.62%, 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.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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:

	<u>Discount rate</u>	<u>District's proportionate share of net OPEB liability</u>
1% decrease	4.84%	\$ 1,395,814
Current discount rate	5.84%	\$ 1,074,663
1% increase	6.84%	\$ 801,100

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:

	<u>District's proportionate share of net OPEB liability</u>
1% decrease	\$ 800,097
Current trend rate	\$ 1,074,663
1% increase	\$ 1,398,296

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 \$3,144 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019. 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 Participant Directed Services (PDS) program (formerly Consumer Directed Options) 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 PDS at any time. The District serves as the fiscal agent for the client and as a support broker. As clients opt for PDS, 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 PDS 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, 2019.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

12. PERFORMANCE CONTRACTS

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2019 the following revenues were recorded in performance contracts:

Transportation Planning	\$ 80,567
Transportation Road Updates	5,795
KIA	66,000
Wastewater Planning	600
Brownfields	110,399
Flemming Neon Water Plant	20,000
Jackson Lift Station PH. II	15,000
Whitesburg Daniel Boone Hotel	1,000
PEW Health Impact Study	66,142
Beattyville Fire Department Roof	6,600
Breathitt Elk View Project	12,687
Chavies Waste Water Collection	3,000
Booneville Fish Cr Loop	20,000
Beattyville Prison Sewer	4,606
Jackson Lakeside Sewer/water	1,000
Booneville Water Rehab Phase I	1,000
East Perry Commercial Development	1,500
Campton Tank Replacement	500
Breathitt WD Waterline Extension	500
Hindman Sewer Rehab	1,000
Chavies WW Haddock Fork	1,500
SOAR	29,201
Economic Recovery Grant	<u>9,493</u>
Total performance contracts	<u>\$ 458,090</u>

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. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance.

15. RESTATEMENT OF NET POSITION

As described in Note 1 to the financial statements, the District changed reporting models during the year ended June 30, 2019. The change in reporting model requires the use of fund financial statements that are presented on the modified accrual basis of accounting. The following table reconciles the District's net position as of June 30, 2018 to the beginning governmental funds – fund balance:

Total net position, as of June 30, 2018	\$ (633,134)
Less: prior year grant activity	(27,457)
Less: capital assets, net	(1,915,767)
Long-term liabilities and related pension and OPEB deferred inflows/outflows	<u>4,993,239</u>
Beginning fund balance – governmental funds	<u>\$ 2,416,881</u>
Beginning fund balance – general fund	\$ 1,607,700
Beginning fund balance – special revenue fund	<u>809,181</u>
Beginning fund balance – governmental funds	<u>\$ 2,296,881</u>

REQUIRED SUPPLEMENTARY INFORMATION

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL AND SPECIAL REVENUE FUNDS
for the year ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 1,347,770	\$ 1,347,770	\$ 1,570,517	\$ 222,747
State funds	856,869	856,869	926,513	69,644
Local dues	88,368	88,368	87,894	(474)
Local service and other funds	<u>2,374,245</u>	<u>2,374,245</u>	<u>2,286,025</u>	<u>(88,220)</u>
 Total revenues	 <u>4,667,252</u>	 <u>4,667,252</u>	 <u>4,870,949</u>	 <u>203,697</u>
EXPENSES				
Salaries and wages	1,397,376	1,397,376	1,565,288	167,912
Employee benefits	834,486	834,486	1,460,142	625,656
Travel	105,348	105,348	106,850	1,502
Aging pass through to local agencies	1,289,469	1,289,469	1,236,413	(53,056)
Title V enrollees	240,601	240,601	229,439	(11,162)
Accounting	22,900	22,900	22,900	-
Supplies	240,843	240,843	231,020	(9,823)
Postage	10,363	10,363	11,268	905
Dues, fees and subscriptions	16,227	16,227	15,656	(571)
Equipment, leases and depreciation	147,379	147,379	150,983	3,604
Other costs	<u>362,260</u>	<u>362,260</u>	<u>430,175</u>	<u>67,915</u>
 Total expenses	 <u>4,667,252</u>	 <u>4,667,252</u>	 <u>5,460,134</u>	 <u>792,882</u>
 EXCESS (EXPENSES) OVER REVENUES	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (589,185)</u>	 <u>\$ (589,185)</u>

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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0605%	0.0544%	0.0544%	0.0535%	0.0509%
District's proportionate share of the net pension liability (asset)	\$ 3,686,461	\$ 3,411,822	\$ 2,729,668	\$ 2,302,187	\$1,652,178
District's covered employee payroll	\$ 1,525,609	\$ 1,419,189	\$ 1,322,534	\$ 929,916	\$1,168,143
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	241.64%	240.41%	206.40%	247.57%	141.44%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%
2014					
District's proportion of the net pension liability	0.0500%				
District's proportionate share of the net pension liability (asset)	\$ 1,864,681				
District's covered employee payroll	\$ 1,065,548				
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	175.00%				
Plan fiduciary net position as a percentage of the total pension liability	61.22%				

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefits terms, or the assumptions used in the current fiscal year.

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 Six Fiscal Years**

	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 218,729	\$ 217,233	\$ 197,977	\$ 162,802	\$ 159,284
Contributions relative to contractually required employer contribution	<u>218,729</u>	<u>217,233</u>	<u>197,977</u>	<u>162,802</u>	<u>159,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,346,186	\$ 1,525,609	\$ 1,419,189	\$ 1,322,534	\$ 929,916
Employer contributions as a percentage of covered-employee payroll	16.25%	14.24%	13.95%	12.31%	17.13%
	2014				
Contractually required employer contribution	\$ 160,503				
Contributions relative to contractually required employer contribution	<u>160,503</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 1,168,143				
Employer contributions as a percentage of covered-employee payroll	13.74%				

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefits terms, or the assumptions used in the current fiscal year.

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 Three Fiscal Years**

	2019	2018	2017
District's proportion of the net OPEB liability	0.0605%	0.0583%	0.0544%
District's proportionate share of the net OPEB liability (asset)	\$ 1,074,663	\$ 1,171,808	\$ 919,031
District's covered employee payroll	\$ 1,525,609	\$ 1,419,189	\$ 1,322,534
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	70.44%	82.57%	69.49%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%	unavailable

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefits terms, or the assumptions used in the current fiscal year.

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 Six Fiscal Years**

	2018	2018	2017	2016	2015
Contractually required employer contribution	\$ 70,932	\$ 70,511	\$ 67,128	\$ 62,822	\$ 61,465
Contributions relative to contractually required employer contribution	<u>70,932</u>	<u>70,511</u>	<u>67,128</u>	<u>62,822</u>	<u>61,465</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,346,186	\$ 1,525,609	\$ 1,419,189	\$ 1,322,534	\$ 929,916
Employer contributions as a percentage of covered-employee payroll	5.27%	4.62%	4.73%	4.75%	6.61%
	2014				
Contractually required employer contribution	\$ 60,159				
Contributions relative to contractually required employer contribution	<u>60,159</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 1,168,143				
Employer contributions as a percentage of covered-employee payroll	5.15%				

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefits terms, or the assumptions used in the current fiscal year.

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

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.

Direct/Shared Costs

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.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY, continued**

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, 2019

Cost Category

Personnel compensation	\$ 220,875
Fringe benefits	138,612
Travel	11,083
Accounting	22,900
Supplies	50,038
Postage	10,880
Telephone and utilities	34,356
Dues, fees and subscriptions	17,927
Equipment, leases and depreciation	123,977
Other	<u>70,584</u>
 Total shared costs allocated	 <u>\$ 701,232</u>

**STATEMENTS OF OPERATIONS
BY PROGRAM**

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2019

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	PDS	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ 211,903	\$ 1,123,521	\$ -	\$ -	\$ 149,093	\$ 86,000	\$ -	\$ 1,570,517
State	177,385	596,617	-	-	152,511	-	-	926,513
Local	-	852,576	-	-	-	128,158	-	980,734
Other	-	33,597	20,692	1,180,974	156,635	-	-	1,391,898
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	1,287	-	-	-	-	-	1,287
Applied to programs	21,898	231,036	53	98,317	30,018	(381,322)	-	-
Total revenues	411,186	2,838,634	20,745	1,279,291	488,257	(167,164)	-	4,870,949
Expenses								
Salaries	176,432	645,215	-	390,834	131,932	-	220,875	1,565,288
Employee benefits	104,141	340,198	-	269,823	79,856	527,512	138,612	1,460,142
Travel	14,630	46,950	191	17,425	16,571	-	11,083	106,850
Subgrantees	-	1,236,413	-	-	-	-	-	1,236,413
Other costs	12,855	292,433	20,554	182,574	129,991	122,372	330,662	1,091,441
Total direct cost	308,058	2,561,209	20,745	860,656	358,350	649,884	701,232	5,460,134
Shared costs	103,128	277,425	-	242,833	77,846	-	(701,232)	-
Total expenses	411,186	2,838,634	20,745	1,103,489	436,196	649,884	-	5,460,135
Revenue over expenses	\$ -	\$ -	\$ -	\$ 175,802	\$ 52,060	\$ (817,048)	\$ -	\$ (589,186)

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2019**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 211,903			\$ 211,903	\$ -	
State Funds		177,385			177,385	-	
Local Funds		<u>-</u>			<u>21,898</u>	<u>21,898</u>	
		<u>389,288</u>			<u>411,186</u>	<u>21,898</u>	
Expenses							
Community & Economic Planning & Development	120	83,334	62,876	22,133	85,009	1,675	
Community Development Block Grant	125	50,038	38,819	12,779	51,598	1,560	
ARC Planning	130	213,048	174,170	56,763	230,933	17,885	
Management Assistance	140	28,759	21,497	7,530	29,027	268	
Program Administration	150	<u>14,109</u>	<u>10,697</u>	<u>3,923</u>	<u>14,620</u>	<u>511</u>	
		<u>389,288</u>	<u>308,059</u>	<u>103,128</u>	<u>411,186</u>	<u>21,898</u>	<u>-</u>
Revenues over expenses		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2019**

	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	\$ 17,150	\$ 171,718	\$ 17,000	\$ 17,000	\$ 238,488	\$ 12,792	\$ 121,363	\$ 11,448	\$ 7,491	\$ 73,496	\$ 2,403	\$ 4,454	\$ -	\$ 286,542	\$ 981,345
State grant	5,286	13,089	3,000	5,236	13,090	5,541	35,089	1,000	1,566	18,350	432	794	451,395	-	553,868
Local	-	344,506	-	-	267,854	-	162,305	18,699	-	-	-	-	-	59,212	852,576
Other	-	6,442	273	-	19,058	-	3,623	-	-	-	-	-	1,299	-	30,695
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	1,077	-	210	-	-	-	-	-	-	-	1,287
Local funds applied	1,616	45,052	481	2,164	31,031	3,189	53,767	7,782	1,225	8,203	172	224	49,972	9,297	214,175
Total revenues	24,052	580,807	20,754	24,400	570,598	21,522	376,357	38,929	10,282	100,049	3,007	5,472	502,666	355,051	2,633,946
Expenses															
Salaries	9,511	45,634	8,059	9,711	34,452	8,515	18,331	5,818	4,352	27,518	1,311	2,355	179,686	241,142	596,395
Fringe benefits	5,920	36,559	5,624	6,061	24,688	5,170	15,498	4,632	2,691	17,346	888	1,646	144,905	33,368	304,996
Staff travel	229	7,035	1,168	135	1,046	111	246	1,140	-	441	-	-	30,103	3,423	45,077
Subgrantees	-	441,543	-	-	378,051	-	287,225	22,035	-	-	-	-	-	59,212	1,188,066
Other costs	2,720	19,825	874	2,696	110,623	2,696	42,623	1,463	650	38,254	-	-	28,664	1,782	252,870
Total direct cost	18,380	550,596	15,725	18,603	548,860	16,492	363,923	35,088	7,693	83,559	2,199	4,001	383,358	338,927	2,387,404
Shared costs	5,672	30,211	5,029	5,797	21,738	5,030	12,434	3,841	2,589	16,490	808	1,471	119,308	16,124	246,542
Total expenses	24,052	580,807	20,754	24,400	570,598	21,522	376,357	38,929	10,282	100,049	3,007	5,472	502,666	355,051	2,633,946
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2019**

	KY LTC Ombudsman	Medicaid ADRC	CMS SHIP	CDSME	IAO	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	FAST	NSIP	ARH Nutrition Programs	Subtotal Contracts	Total Area Agency on Aging
Revenues													
Federal grant	\$ -	\$ 9,000	\$ 28,467	\$ -	\$ -	\$ 9,222	\$ 5,541	\$ 6,794	\$ 998	\$ 82,154	\$ -	\$ 142,176	\$ 1,123,521
State grant	33,749	9,000	-	-	-	-	-	-	-	-	-	42,749	596,617
Local	-	-	-	-	-	-	-	-	-	-	-	-	852,576
Other	353	-	-	-	-	-	-	-	-	-	2,549	2,902	33,597
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	1,287
Local funds applied	5,841	1,132	2,874	508	250	1,278	958	3,114	-	-	906	16,861	231,036
Total revenues	39,943	19,132	31,341	508	250	10,500	6,499	9,908	998	82,154	3,455	204,688	2,838,634
Expenses													
Salaries	16,097	8,535	12,746	-	95	4,272	2,684	4,391	-	-	-	48,820	645,215
Fringe benefits	11,528	5,455	9,803	-	88	3,406	2,068	2,854	-	-	-	35,202	340,198
Staff travel	1,183	-	432	258	-	-	-	-	-	-	-	1,873	46,950
Subgrantees	-	-	-	-	-	-	-	-	-	48,347	-	48,347	1,236,413
Other costs	981	-	72	250	-	-	-	-	998	33,807	3,455	39,563	292,433
Total direct cost	29,789	13,990	23,053	508	183	7,678	4,752	7,245	998	82,154	3,455	173,805	2,561,209
Shared costs	10,154	5,142	8,288	-	67	2,822	1,747	2,663	-	-	-	30,883	277,425
Total expenses	39,943	19,132	31,341	508	250	10,500	6,499	9,908	998	82,154	3,455	204,688	2,838,634
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HOMECARE
for the year ended June 30, 2019**

	Admin	Assessment	Case Management	Social Services	H.D.Meals	Total Homecare
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	39,239	7,035	129,464	257,749	17,908	451,395
Local	-	-	-	-	-	-
Other	-	-	1,299	-	-	1,299
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	<u>3,169</u>	<u>149</u>	<u>12,898</u>	<u>33,755</u>	<u>-</u>	<u>49,972</u>
Total revenues	<u>42,408</u>	<u>7,184</u>	<u>143,661</u>	<u>291,504</u>	<u>17,908</u>	<u>502,666</u>
Expenses						
Salaries	16,749	2,855	55,352	104,730	-	179,686
Fringe benefits	9,453	2,209	46,115	87,128	-	144,905
Staff travel	111	259	2,021	27,712	-	30,103
Subgrantees	-	-	-	-	-	-
Other costs	<u>6,464</u>	<u>-</u>	<u>2,878</u>	<u>1,414</u>	<u>17,908</u>	<u>28,664</u>
Total direct cost	32,777	5,323	106,366	220,984	17,908	383,358
Shared costs	<u>9,631</u>	<u>1,861</u>	<u>37,295</u>	<u>70,520</u>	<u>-</u>	<u>119,308</u>
Total expenses	<u>42,408</u>	<u>7,184</u>	<u>143,661</u>	<u>291,504</u>	<u>17,908</u>	<u>502,666</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE V
for the year ended June 30, 2019

	Title V			Total Title V
	Admin	Enrollees	Other	
Revenues				
Federal grant	\$ 17,928	\$ 230,643	\$ 37,971	\$ 286,542
State grant	-	-	-	-
Local	-	-	59,212	59,212
Other	-	-	-	-
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	8,490	-	807	9,297
Total revenues	<u>26,418</u>	<u>230,643</u>	<u>97,990</u>	<u>355,051</u>
Expenses				
Salaries	11,703	213,682	15,757	241,142
Fringe benefits	7,044	16,961	9,363	33,368
Staff travel	748	-	2,675	3,423
Subgrantees	-	-	59,212	59,212
Other costs	32	-	1,750	1,782
Total direct cost	19,527	230,643	88,757	338,927
Shared costs	6,891	-	9,233	16,124
Total expenses	<u>26,418</u>	<u>230,643</u>	<u>97,990</u>	<u>355,051</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER AGING PROGRAMS
for the year ended June 30, 2019**

	Elder Council	Senior Day	Senior Games	Community Service Projects	Total Other Aging
Revenues					
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-
Local	-	-	-	-	-
Other	8,885	138	9,244	2,425	20,692
Interest on advance	-	-	-	-	-
Program income	-	-	-	-	-
Local funds applied	-	53	-	-	53
	<u>8,885</u>	<u>191</u>	<u>9,244</u>	<u>2,425</u>	<u>20,745</u>
Total revenues	<u>8,885</u>	<u>191</u>	<u>9,244</u>	<u>2,425</u>	<u>20,745</u>
Expenses					
Salaries	-	-	-	-	-
Fringe benefits	-	-	-	-	-
Staff travel	-	191	-	-	191
Subgrantees	-	-	-	-	-
Other costs	8,885	-	9,244	2,425	20,554
	<u>8,885</u>	<u>191</u>	<u>9,244</u>	<u>2,425</u>	<u>20,554</u>
Total direct cost	<u>8,885</u>	<u>191</u>	<u>9,244</u>	<u>2,425</u>	<u>20,745</u>
Shared costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>8,885</u>	<u>191</u>	<u>9,244</u>	<u>2,425</u>	<u>20,745</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
PARTICIPANT DIRECTED SERVICES (PDS)
for the year ended June 30, 2019**

	HCB Fin. Mgmt.	HCB Support Brok.	Durable Goods	Total PDS
Revenues				
Federal grant	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-
Local	-	-	-	-
Other	476,679	531,859	172,436	1,180,974
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	95,901	2,416	98,317
Total revenues	<u>476,679</u>	<u>627,760</u>	<u>174,852</u>	<u>1,279,291</u>
Expenses				
Salaries	131,996	258,838	-	390,834
Fringe benefits	86,512	183,311	-	269,823
Staff travel	28	17,397	-	17,425
Subgrantees	-	-	-	-
Other costs	2,026	5,696	174,852	182,574
Total direct cost	<u>220,562</u>	<u>465,242</u>	<u>174,852</u>	<u>860,656</u>
Shared costs	80,315	162,518	-	242,833
Total expenses	<u>300,877</u>	<u>627,760</u>	<u>174,852</u>	<u>1,103,489</u>
Revenue over expenses	<u>\$ 175,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,802</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2019**

	Transportation Planning	Transportation Road Updates	Waste Water Planning	Brownfields	Misc. Performance Contracts	Total
Revenues						
Federal	\$ -	\$ -	\$ -	\$ 110,399	\$ 38,694	\$ 149,093
State	80,567	5,944	-	-	66,000	152,511
Local	-	-	-	-	-	-
Other	-	-	600	-	156,035	156,635
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Applied to programs	26,371	1,397	(125)	2,375	-	30,018
Total revenues	<u>106,938</u>	<u>7,341</u>	<u>475</u>	<u>112,774</u>	<u>260,729</u>	<u>488,257</u>
Expenses						
Salaries	44,449	2,893	-	3,505	81,085	131,932
Employee benefits	26,553	2,437	-	2,048	48,818	79,856
Travel	8,613	52	-	219	7,687	16,571
Subgrantees	-	-	-	-	-	-
Other costs	1,225	-	475	104,961	23,330	129,991
Total direct cost	80,840	5,382	475	110,733	160,920	358,350
Shared costs	26,098	1,959	-	2,041	47,748	77,846
Total expenses	<u>106,938</u>	<u>7,341</u>	<u>475</u>	<u>112,774</u>	<u>208,668</u>	<u>436,196</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,061</u>	<u>\$ 52,061</u>



**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 Kentucky River Area Development District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2019.

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.

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
December 4, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Kentucky River Area Development District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Kentucky River Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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
December 4, 2019

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2019**

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	1/1/18-12/31/18	\$ -	\$ 53,995
ARC Planning	23.009	KY-702-I-C50-19	1/1/19-12/31/19		50,597
JFA - Management Assistance	23.009	KY-702-I-C50-19	1/1/19-12/31/19	-	11,250
JFA - Program Assistance	23.009	KY-702-I-C50-19	1/1/19-12/31/19	-	4,375
Total Appalachian Regional Commission				-	120,217
U.S. Department of Commerce					
Economic Development Administration					
Passed through State (DLG) (Note 1)					
JFA - Community and Economic Assistance	11.302	PON2 112 1900003301 1	2/15/19-6/30/19	-	66,667
Passed through Big Sandy Development District					
Economic Development Recovery Coordinator	11.302	04-86-07119	1/1/16-9/26/18	-	9,493
Economic Adjustment (SOAR)	11.307	04-79-06942	7/7/18-7/7/2019	-	29,201
Total Department of Commerce				-	105,361
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) (Note 1)					
JFA - CDBG	14.228	PON2 112 1900003301 1	2/15/19-6/30/19	-	25,019
U.S. Environmental Protection Administration					
Direct Award					
Brownfields Assessment and Cleanup	66.818	00D46216	10/1/16-9/30/19	-	110,399
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 1900001251 3	7/1/18-6/30/19	77,629	193,542
Title III C1 Congregate Meals	93.045	PON2 725 1900001251 3	7/1/18-6/30/19	87,531	262,019
Title III C2 Home Delivered Meals	93.045	PON2 725 1900001251 3	7/1/18-6/30/19	112,555	137,586
NSIP	93.053	PON2 725 1900000884 2	10/1/18-9/30/20	48,347	82,154
Total aging cluster				326,062	675,301
Title VII Elder Abuse	93.041	PON2 725 1900001218 2	7/1/18-6/30/19	-	2,403
Title VII Ombudsman	93.042	PON2 725 1900001218 2	7/1/18-6/30/19	-	4,454
Title III D Preventative Health	93.043	PON2 725 1900001251 3	7/1/18-6/30/19	2,818	11,741
Title III E Caregiver	93.052	PON2 725 1900001251 3	7/1/18-6/30/19	-	83,058
FAST	93.069	PON2 725 1700002632 1	7/1/17-6/30/18		998
MIPPA SHIP/ AAA/ ADRC	93.071	PON2 725 1900001159 2	9/30/18-9/29/19	-	21,557
CMS SHIP	93.324	PON2 725 1900001119 2	7/1/18-6/30/20	-	28,467
Medicaid ADRC	93.778	PON2 725 1900000816 2	7/1/18-6/30/20	-	9,000
Total Health and Human Services				328,880	836,979
U.S. Department of Transportation (DOT)					
Passed through Kentucky Transportation Cabinet					
	20.513	KY-2016-004-01/02	4/15/18-6/30/19	-	86,000
U.S. Department of Labor (DOL)					
Passed through State (CHFS/DAIL)					
Title V SCSEP	17.235	PON2 725 1900001139 2	7/1/18-6/30/20	-	286,542
Total federal awards, as presented in the financial statements				\$ 328,880	\$ 1,570,517

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, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	__Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	<u>X</u> None reported

Non-compliance material to financial statements noted	__Yes	<u>X</u> No
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Federal Awards:

Internal control over major programs:

Material weaknesses identified	__Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	<u>X</u> 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	<u>X</u> No
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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
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Auditee qualified as a low-risk auditee?	__Yes	<u>X</u> No
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II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE