

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

**FINANCIAL STATEMENTS
June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kentucky River Area Development District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kentucky River Area Development District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kentucky River Area Development District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kentucky River Area Development District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kentucky River Area Development District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, the schedules of proportionate share of the net pension and OPEB liabilities and the schedules of pension and OPEB contributions on pages 4–6 and 26–30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The cost allocation policy, schedule of shared costs, statements of operation by program, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 cost allocation policy, schedule of shared costs, statements of operation 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 7, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 7, 2022

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 2022 and 2021. 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 7. 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 deferred inflows of resources decreased significantly due to actuarially determined amounts relating to the net pension liability and the net OPEB liability. Unrestricted net position for fiscal year 2022 increased by \$74,175. The current year decrease in the net pension liability totaled \$591,149. The current year decrease in the net OPEB liability totaled \$237,302.

Condensed Statement of Net Position

	<u>FY 2022</u>	<u>FY 2021</u>
Current Assets	\$ 2,333,039	\$ 2,521,988
Other Assets	2,307,752	2,071,919
Deferred Outflows of Resources	<u>1,113,316</u>	<u>1,263,760</u>
Total Assets & Deferred Outflows	<u>\$ 5,754,107</u>	<u>\$ 5,857,667</u>
Current Liabilities	\$ 362,671	\$ 441,947
Long-term Liabilities	6,063,176	6,929,007
Deferred Inflows of Resources	1,096,939	465,993
Net Position		
Net investment in capital assets	373,746	237,320
Unrestricted	<u>(2,142,425)</u>	<u>(2,216,600)</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 5,754,107</u>	<u>\$ 5,857,667</u>

The statement of activities provides a more detailed look at the nature of these changes. The District had net income of \$153,721 for the year ended June 30, 2022, compared to a loss of (\$322,337) in 2021. Revenues increased as did expenses. The increase in revenue was \$320,737, while the increase in expenses totaled \$219,022.

Statement of Activities

	<u>FY 2022</u>	<u>FY 2021</u>
Revenues		
Charges for service	\$ 2,381,300	\$ 1,818,249
Operating grants and contributions	3,088,308	2,900,264
General revenue	<u>104,719</u>	<u>119,829</u>
Total Revenues	<u>5,574,327</u>	<u>4,838,342</u>
Operating Expenses		
General government	(36,340)	398,853
Community/economic development	748,979	638,139
Aging and independent living services	4,184,465	3,721,149
Other services	481,652	323,788
Interest	<u>41,850</u>	<u>43,139</u>
Total Expenses	<u>5,420,606</u>	<u>5,125,068</u>
(Loss) on sale of building	<u>(-)</u>	<u>(35,611)</u>
Change in Net Position	153,721	(322,337)
Net Position – Beginning of the Year	(1,979,280)	(1,668,194)
Adjustments for deferred income, A/R, & write-offs	<u>56,880</u>	<u>11,251</u>
Net Position – End of Year	<u>\$ (1,768,679)</u>	<u>\$ (1,979,280)</u>

CAPITAL ASSETS

The District invested \$214,664 (net) in capital assets for fiscal year 2022. This amount primarily includes the purchase of computer equipment and a conference room renovation. Accumulated depreciation increased \$99,660. The net investment in capital assets at the end of fiscal year 2022 totaled \$373,746 (assets less related debt).

	Balance June 30, 2020	FY 2021 Additions	FY 2021 Disposals	Balance June 30, 2021	FY 2022 Additions	FY 2022 Disposals	Balance June 30, 2022
Property & Equipment	\$ 2,673,948	\$ 97,135	\$ (518,940)	\$ 2,252,143	\$ 498,416	\$ (283,752)	\$ 2,466,807
Accumulated Depreciation	<u>(751,669)</u>	<u>(104,832)</u>	<u>258,329</u>	<u>(598,172)</u>	<u>(99,660)</u>	<u>0</u>	<u>(697,832)</u>
NET	<u>\$ 1,922,279</u>	<u>\$ (7,697)</u>	<u>\$ (260,611)</u>	<u>\$ 1,653,971</u>	<u>\$ 398,756</u>	<u>\$ (283,752)</u>	<u>\$ 1,768,975</u>

DEBT

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

	Balance June 30, 2020	FY 2021 Additions	FY 2021 Payments	Balance June 30, 2021	FY 2022 Additions	FY 2022 Payments	Balance June 30, 2022
RD Note (Rural Development)	<u>\$ 1,436,792</u>	<u>\$ 0</u>	<u>\$ (20,141)</u>	<u>\$1,416,651</u>	<u>\$ 0</u>	<u>\$ (21,422)</u>	<u>\$1,395,229</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2023 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2023, 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. Additionally, we are analyzing the effects of the COVID-19 pandemic.

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, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,711,366
Accounts receivable	
Federal, state and local grants	620,517
Miscellaneous	<u>1,156</u>
Total current assets	<u>2,333,039</u>
Noncurrent assets	
Restricted cash and cash equivalents	63,528
Certificates of deposit	355,252
Related party	119,997
Property and equipment, net	<u>1,768,975</u>
Total noncurrent assets	<u>2,307,752</u>
Total assets	<u>4,640,791</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	510,048
Deferred outflows - OPEB	<u>603,268</u>
Total deferred outflows of resources	<u>1,113,316</u>
Total assets and deferred outflows of resources	<u>\$ 5,754,107</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 118,089
Accrued expenses	133,780
Unearned grant revenue	67,206
Accrued interest	20,005
Current portion of debt	<u>23,591</u>
Total current liabilities	<u>362,671</u>
Long-term liabilities	
Accrued annual leave	126,604
Long-term portion of debt	1,371,638
Net pension liability	3,510,953
Net OPEB liability	<u>1,053,981</u>
Total long-term liabilities	<u>6,063,176</u>
Total liabilities	<u>6,425,847</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	547,159
Deferred inflows - OPEB	<u>549,780</u>
Total deferred inflows of resources	<u>1,096,939</u>

NET POSITION

Net investment in capital assets	373,746
Unrestricted	<u>(2,142,425)</u>
Total net position	<u>(1,768,679)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,754,107</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, 2022

<u>Functions/Programs</u>			<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
	<u>Direct Expenses</u>	<u>Indirect Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:						
Governmental activities						
General government	\$ (36,340)	\$ -	\$ -	\$ -	\$ -	\$ 36,340
Community/Economic development	569,383	179,596	-	583,957	-	(165,022)
Aging and independent living services	3,607,658	576,807	2,061,163	2,188,706	-	65,404
Other services	408,834	72,818	320,137	315,645	-	154,130
Interest on long-term debt	41,850	-	-	-	-	(41,850)
Total primary government	<u>\$ 4,591,385</u>	<u>\$ 829,221</u>	<u>\$ 2,381,300</u>	<u>\$ 3,088,308</u>	<u>\$ -</u>	<u>49,002</u>
				General revenues:		
				Member dues	88,616	
				Rental income	13,200	
				Interest and other	2,903	
				Total general revenues	104,719	
				(Loss) on sale of building	-	
				Change in Net Position	153,721	
				Net position adjustments relating to prior years activity	56,880	
				Net position-beginning	(1,979,280)	
				NET POSITION-ENDING	<u>\$ (1,768,679)</u>	

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Current assets			
Cash - unrestricted	\$ 831,266	\$ 880,100	\$ 1,711,366
Cash - restricted	63,528	-	63,528
Certificates of deposit	355,252	-	355,252
Accounts receivable, net	1,156	620,517	621,673
Accounts receivable, related party	-	119,997	119,997
Total assets	\$ 1,251,202	\$ 1,620,614	\$ 2,871,816
LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	\$ -	\$ 118,089	\$ 118,089
Accrued liabilities	-	133,780	133,780
Unearned grant revenue	-	67,206	67,206
Total liabilities	-	319,075	319,075
Fund balance			
Nonspendable	-	-	-
Restricted	63,528	1,301,539	1,365,067
Unassigned	1,187,674	-	1,187,674
Total fund balance	1,251,202	1,301,539	2,552,741
Total liabilities and fund balance	\$ 1,251,202	\$ 1,620,614	\$ 2,871,816
Total government fund balance			\$ 2,552,741
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			1,768,975
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			(6,090,395)
Net position of governmental activities			\$ (1,768,679)

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, 2022

	General Fund	Special Revenue Fund	Total Government Funds
REVENUES			
Federal	\$ -	\$ 1,706,615	\$ 1,706,615
State	-	1,381,693	1,381,693
Local / service fees (includes in-kind and program income)	104,719	2,438,180	2,542,899
Total revenues	104,719	5,526,488	5,631,207
EXPENDITURES			
Current			
General government	26,019	-	26,019
Community/Economic Development	-	735,195	735,195
Aging and Independent Living Services	-	4,107,454	4,107,454
Other services	-	472,788	472,788
Capital outlay	214,664	-	214,664
Debt service	63,601	-	63,601
Total expenditures	304,284	5,315,437	5,619,721
Excess of revenues over (under) expenditures	(199,565)	211,051	11,486
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	84,474	(84,474)	-
Net change in fund balance	(115,091)	126,577	11,486
Fund balance - beginning	1,366,293	1,174,962	2,541,255
FUND BALANCE - END OF YEAR	\$ 1,251,202	\$ 1,301,539	\$ 2,552,741
Net change in fund balance - total governmental funds			\$ 11,486
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			214,664
Depreciation expense			(99,660)
Proceeds from sale of capital assets			-
Loss on disposal of asset			-
Net position adjustments relating to prior year activity			(56,880)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position			21,422
Change in accrued interest payable			329
Change in accrued annual leave			15,299
Change in the net pension and OPEB liabilities and related deferred inflows and outflows			47,061
Change in net position of governmental activities			\$ 153,721

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

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 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.

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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement (Continued)

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. The District does not currently have any proprietary funds.

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. Certain programs such as PDS and performance contracts generate unrestricted income which can be transferred to the general fund.

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, 2022

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 statement of net position at June 30, 2022 is \$126,604.

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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets - Property and equipment includes furniture, office equipment, vehicles, leasehold improvements, land and buildings. Depreciation expense is calculated on the straight-line basis. 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 2018.

Leases - The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease payable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes had no effect on the financial statements.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through December 7, 2022, 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, 2022, 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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. CASH AND INVESTMENTS (CONTINUED)

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

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

The District's cash and investment balances were not fully covered by FDIC insurance or collateralized by the holding institution with an irrevocable, unconditional and non-transferable letter of credit that was effective from July 19, 2021 to July 18, 2022. The following cash balances are detailed as of June 30, 2022:

Total cash and certificates of deposit	\$ 2,226,048
FDIC Insurance	(605,252)
Collateralized by letter of credit held in District's name	<u>(1,500,000)</u>
 (Over) under collateralized	 <u>\$ 120,796</u>

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consist of the following at June 30, 2022:

2018 Local projects	\$ 55,218
2019 Local projects	2,140
2020 Local projects	1,818
2021 Local projects	27,649
2022 Local projects	84,373
Aging	232,426
KYTC	20,815
JFA	57,827
PDS	<u>138,251</u>
 Total grant receivable	 <u>\$ 620,517</u>

4. CAPITAL ASSETS

The District maintains property and equipment used in its operations. Capital 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 \$99,660 for the year ended June 30, 2022. The following summarizes the changes in capital assets during the year ended June 30, 2022:

	6/30/2021	6/30/2022	6/30/2022	6/30/2022
	Balance	Additions	Disposals	Balance
Construction in progress, not depreciated	\$ 69,088	\$ 214,664	\$ (283,752)	\$ -
Building and equipment	2,183,055	283,752	-	2,466,807
Accumulated depreciation	<u>(598,172)</u>	<u>(99,660)</u>	<u>-</u>	<u>(697,832)</u>
 Net	 <u>\$ 1,653,971</u>	 <u>\$ 398,756</u>	 <u>\$ (283,752)</u>	 <u>\$ 1,768,975</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

5. UNEARNED GRANT REVENUE

At June 30, 2022, unearned grant revenue includes revenues received, but not earned. For the District, those programs are as follows:

Grant Name	
KOHS Tower project	\$ 2,497
Brownfields	1,605
Data collection	1,260
Senior games	6,436
RAM Event	2,736
Elder Abuse Council	7,550
Kentucky Caregiver	72
NSIP	3,030
TBI	44
MIPPA ADRC	216
Aging Community Project	7,647
Lee Co. Senior Center Project	7,443
Wolfe Co. Senior Center Project	1,388
Letcher Co. Senior Center Project	624
Owsley Cp. Senior Center Project	100
Local dues – total	438
Community Events Fund	2,585
United Way EFSP Fund	13,519
Appalachia Rise Rehab Fund Grant	6,816
Booneville Water Rehab Project Phase I	<u>1,200</u>
 Total	 <u>\$ 67,206</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 payment was due January 2018 with final payment due January 2057. The debt issue is at a fixed rate of interest of 2.875%. Interest expense for the year ended June 30, 2022 totaled \$41,850. The following is an amortization of future maturities:

June 30,	Principal	Interest	Total
2023	\$ 23,591	\$ 40,009	\$ 63,600
2024	24,269	39,331	63,600
2025	24,966	38,634	63,600
2026	25,684	37,916	63,600
2027	26,422	37,178	63,600
2028-2032	143,946	174,054	318,000
2033-2037	165,854	152,146	318,000
2038-2042	191,101	126,899	318,000
2043-2047	221,834	96,166	318,000
2048-2052	256,202	61,798	318,000
2053-2057	<u>291,360</u>	<u>23,331</u>	<u>314,691</u>
	<u>\$ 1,395,229</u>	<u>\$ 827,462</u>	<u>\$ 2,222,691</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. LONG-TERM LIABILITIES (CONTINUED)

Change in long-term liabilities is as follows:

	6/30/2021	Additions	Reductions	6/30/2022
Accrued leave	\$ 141,903	\$ 85,861	\$ (101,160)	\$ 126,604
Net pension liability	4,102,102	-	(591,149)	3,510,953
Net OPEB liability	1,291,283	-	(237,302)	1,053,981
Debt	<u>1,416,651</u>	<u>-</u>	<u>(21,422)</u>	<u>1,395,229</u>
 Total	 <u>\$ 6,951,939</u>	 <u>\$ 85,861</u>	 <u>\$ (951,033)</u>	 <u>\$ 6,086,767</u>

7. 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, 2022, plan members were required to contribute 5% 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, 2022, participating employers contributed 26.95% of each employee's wages, for non-hazardous job classifications.

The contributions are allocated 21.17% to the pension trust and 5.78% to the insurance trust. The insurance trust is more fully described in Note 8. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems 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% 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 \$424,611 for the year ended June 30, 2022, or 100% of the required contribution. The contribution was allocated \$333,544 to the CERS pension fund and \$91,067 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

7. PENSION PLAN (CONTINUED)

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

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the District reported a liability of \$3,510,953 based upon its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward using generally accepted actuarial procedures. 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, 2021, the District's proportion was .0551 percent, which was an increase of 0.0016 percent from its proportion measured at June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$285,279. At June 30, 2022, 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	\$ 40,317	\$ 34,076
Changes of assumptions	47,121	-
Net difference between projected and actual earnings on Plan investments	-	467,951
Changes in proportion and differences between District contributions and proportionate share of contributions	89,066	45,132
District contributions subsequent to the measurement date	333,544	-
Total	\$ 510,048	\$ 547,159

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

7. PENSION PLAN (CONTINUED)

The \$333,544 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, 2023. 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,	
2023	\$ (50,391)
2024	\$ (71,268)
2025	\$ (102,459)
2026	\$ (146,537)

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and applies to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% - 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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.

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
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	4.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(.25%)
Cash	1.00%	(.75%)
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long Term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

7. PENSION PLAN (CONTINUED)

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 24-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:

	<u>Discount rate</u>	<u>District’s proportionate share of net pension liability</u>
1% decrease	5.25%	\$ 4,502,964
Current discount rate	6.25%	\$ 3,510,953
1% increase	7.25%	\$ 2,690,088

Payable to the Pension Plan – At June 30, 2022, the District reported a payable of \$19,012 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022, respectively.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 7, 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 7, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2022, the employer’s contribution was 5.78% to the insurance trust 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. 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, 2022, the District contributed \$91,067, or 100% of the required contribution for non-hazardous job classifications.

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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, 2022, the District reported a liability for its proportionate share of the net OPEB liability of \$1,053,981. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward using generally accepted actuarial procedures. 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, 2021 was .0551 percent which was an increase of .0016 percent compared to June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$158,543. At June 30, 2022, 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	\$ 165,739	\$ 314,684
Changes of assumptions	279,430	980
Net difference between projected and actual earnings on Plan investments	-	164,880
Changes in proportion and differences between District contributions and proportionate share of contributions	32,352	69,236
District contributions subsequent to the measurement date	<u>125,747</u>	<u>-</u>
Total	<u>\$ 603,268</u>	<u>\$ 549,780</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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

The \$125,747 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, 2023. This includes an adjustment of \$34,680 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,	
2023	\$ 15,616
2024	\$ (9,409)
2025	\$ (15,769)
2026	\$ (62,697)

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30%- 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post – 65:	Initial trend starting at 2.90% at January 1, 2022, and gradually increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.5% over a period of 14 years.

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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

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
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	4.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(.25)%
Cash	1.00%	(.75)%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long Term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% 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 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2021, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. 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.

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

	Discount rate	District’s proportionate share of net OPEB liability
1% decrease	4.34%	\$ 1,447,108
Current discount rate	5.34%	\$ 1,053,981
1% increase	6.34%	\$ 731,355

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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

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

	District's proportionate share of net OPEB liability
1% decrease	\$ 758,741
Current trend rate	\$ 1,053,981
1% increase	\$ 1,410,341

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, 2022, the District reported a payable of \$5,176 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

9. COMMITMENTS AND CONTINGENCIES

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

10. 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 Development 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/decreased 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, 2022.

11. 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 32. The District is in conformity with 2 CFR Part 225.

12. 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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

13. PERFORMANCE CONTRACTS

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2022 the following revenues were recorded in performance contracts:

Transportation Planning	\$ 83,254
Water/Wastewater Training	330
FEMA Project	2,019
PCHP Referrals	576
KIA	66,000
Brownfields	159,133
Breathitt Elk View I	5,000
Booneville Fish Creek Loop	19,500
Beattyville Prison Sewer	2,304
Booneville Water Rehab Phase I	8,742
East Perry Commercial Development	12,025
Campton Tank Replacement	8,125
Hindman Sewer Rehab	900
Letcher Cumberland River Water	500
Beattyville Sewer Rehab Project	9,868
Perry Hwy 80-476 Interconnect 2020	28,208
Carr Creek Alumni Association 2020 Project	500
Jackson Waterline Replacement Project	20,000
Booneville Pump Station Rehab Project	24,000
Beattyville Connect AML 2020	500
Hindman Waterline Extension 2020	8,125
Fleming/Neon Sewer Rehab 2020	500
Vicco WWTP & Sewer Collection 2020	200
Breathitt Elk View II	250
SYKES – East Perry Comm Dev Project 2020	6,086
Booneville Radio Read Meter 2020	29,000
Breathitt CWD	500
Jackson Sewer Rehab	500
Lee Co. Crystal Creek	9,150
Jenkins WLR KY 805 Project 2021	10,000
Whitesburg/Letcher Bike Walk	10,000
Booneville/Owsley Bike Walk	10,000
Leslie Teleworks	600
CCAG Whitesburg Farmers Market	500
Boonville I&I Reduction	29,500
Hazard CDBG-CV	2,500
Breathitt CDBG-CV	2,500
Knott CDBG-CV	2,500
Lee CDBG-CV	2,500
Leslie CDBG-CV	2,500
Letcher CDBG-CV	2,500
Perry CDBG-CV	3,750
Wolf CDBG-CV	2,500
Pathfinders of Perry Co.	500
Hindman/Knott Bike Walk	10,000
Hyden/Leslie Bike Walk	10,000
Road Updates	7,637
Beattyville/Lee Bike Walk	10,000
Campton/Wolf Bike Walk	<u>10,000</u>
 Total performance contracts	 <u>\$ 635,782</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, 2022**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 1,809,825	\$ 1,809,825	\$ 1,706,615	\$ (103,210)
State funds	811,270	811,270	1,381,693	570,423
Local dues	88,368	88,368	88,616	248
Local service and other funds	<u>2,184,569</u>	<u>2,184,569</u>	<u>2,397,403</u>	<u>212,834</u>
 Total revenues	 <u>4,894,032</u>	 <u>4,894,032</u>	 <u>5,574,327</u>	 <u>680,295</u>
EXPENSES				
Salaries and wages	1,686,001	1,686,001	1,820,121	134,120
Employee benefits	1,017,442	1,017,442	1,089,618	72,176
Travel	65,000	65,000	80,056	15,056
Aging pass through to local agencies	611,847	611,847	1,015,435	403,588
Title V enrollees	239,838	239,838	202,732	(37,106)
Accounting	22,900	22,900	23,500	600
Supplies	532,276	532,276	496,056	(36,220)
Postage	25,000	25,000	11,713	(13,287)
Dues, fees and subscriptions	21,500	21,500	23,839	2,339
Equipment, leases and depreciation	81,000	81,000	235,879	154,879
Other costs	<u>591,228</u>	<u>591,228</u>	<u>421,657</u>	<u>(169,571)</u>
 Total expenses	 <u>4,894,032</u>	 <u>4,894,032</u>	 <u>5,420,606</u>	 <u>526,574</u>
 EXCESS (EXPENSES) OVER REVENUES	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 153,721</u>	 <u>\$ 153,721</u>

Note: The District's budget is based on full accrual accounting. Capital outlay is not included, but depreciation expense is included.

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

Financial statement year (Measurement year)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
District's proportion of the net pension liability	0.0500%	0.0509%	0.0535%	0.0544%	0.0544%	0.0605%	0.0533%	0.0535%	0.0551%
District's proportionate share of the net pension liability (asset)	\$ 1,864,681	\$ 1,652,178	\$ 2,302,187	\$ 2,729,668	\$ 3,411,822	\$ 3,686,461	\$ 3,752,059	\$ 4,102,102	\$ 3,510,953
District's covered employee payroll	\$ 1,065,548	\$ 1,168,143	\$ 929,916	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	175.00%	141.44%	247.57%	206.40%	240.41%	241.64%	278.72%	287.89%	248.83%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	47.81%

Notes:

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PENSION CONTRIBUTIONS
Last Nine Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 160,503	\$ 159,284	\$ 162,802	\$ 197,977	\$ 217,233	\$ 242,958	\$ 265,319	\$ 272,316	\$ 333,544
Contributions relative to contractually required employer contribution	<u>160,503</u>	<u>159,284</u>	<u>162,802</u>	<u>197,977</u>	<u>217,233</u>	<u>242,958</u>	<u>265,319</u>	<u>272,316</u>	<u>333,544</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,168,143	\$ 929,916	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552
Employer contributions as a percentage of covered-employee payroll	13.74%	17.13%	12.31%	13.95%	14.24%	18.05%	18.62%	19.30%	21.17%

Notes:

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 Six Fiscal Years**

Financial statement year (Measurement year)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)
District's proportion of the net OPEB liability	0.0544%	0.0583%	0.0605%	0.0533%	0.0535%	0.0535%
District's proportionate share of the net OPEB liability (asset)	\$ 919,031	\$ 1,171,808	\$ 1,074,663	\$ 897,071	\$ 1,291,283	\$ 1,053,981
District's covered employee payroll	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	69.49%	82.57%	70.44%	66.64%	90.62%	74.70%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	51.67%

Notes:

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
OPEB CONTRIBUTIONS
Last Nine Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 60,159	\$ 61,465	\$ 62,822	\$ 67,128	\$ 70,511	\$ 70,932	\$ 65,436	\$ 67,162	\$ 91,067
Contributions relative to contractually required employer contribution	<u>60,159</u>	<u>61,465</u>	<u>62,822</u>	<u>67,128</u>	<u>70,511</u>	<u>70,932</u>	<u>65,436</u>	<u>67,162</u>	<u>91,067</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,168,143	\$ 929,916	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552
Employer contributions as a percentage of covered-employee payroll	5.15%	6.61%	4.75%	4.73%	4.62%	5.27%	4.59%	4.76%	5.78%

Notes:

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2021 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

June 30, 2020 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decrease to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 - Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016.

June 30, 2015 - Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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 (setback 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 assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 - Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 - Pension

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

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.
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.

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

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, 2022

Cost Category

Personnel compensation	\$ 252,245
Fringe benefits	143,115
Travel	5,150
Accounting	23,500
Supplies	74,897
Postage	11,420
Telephone and utilities	33,408
Dues, fees and subscriptions	24,968
Equipment, leases and depreciation	178,942
Other	<u>81,576</u>
 Total shared costs allocated	 <u>\$ 829,221</u>

**STATEMENTS OF OPERATIONS
BY PROGRAM**

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2022

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	PDS	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ 432,422	\$ 1,115,439	\$ -	\$ -	\$ 158,754	\$ -	\$ -	\$ 1,706,615
State	151,535	1,067,767	5,500	-	156,891	-	-	1,381,693
Local	-	678,360	-	1,303,020	-	104,719	-	2,086,099
Other	-	27,501	51,784	-	320,137	-	-	399,422
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	498	-	-	-	-	-	498
Applied to programs	165,022	105,759	1,169	29,329	59,380	(360,659)	-	-
Total revenues	748,979	2,995,324	58,453	1,332,349	695,162	(255,940)	-	5,574,327
Expenses								
Salaries	304,314	671,440	12,532	456,069	123,521	-	252,245	1,820,121
Employee benefits	208,530	386,579	5,839	316,584	84,414	(47,061)	134,733	1,089,618
Travel	11,761	41,530	-	3,578	14,805	-	8,382	80,056
Subgrantees	-	1,010,285	-	-	-	-	5,150	1,015,435
Other costs	44,778	585,698	16,570	100,954	186,094	52,571	428,711	1,415,376
Total direct cost	569,383	2,695,532	34,941	877,185	408,834	5,510	829,221	5,420,606
Shared costs	179,596	299,792	6,434	270,581	72,818	-	(829,221)	-
Total expenses	748,979	2,995,324	41,375	1,147,766	481,652	5,510	-	5,420,606
Revenue over expenses	\$ -	\$ -	\$ 17,078	\$ 184,583	\$ 213,510	\$ (261,450)	\$ -	\$ 153,721

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2022**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 432,422	\$ -	\$ -	\$ 432,422	\$ -	
State Funds		151,535	-	-	151,535	-	
Local Funds		<u>165,022</u>	<u>-</u>	<u>-</u>	<u>165,022</u>	<u>-</u>	
		<u>748,979</u>	<u>-</u>	<u>-</u>	<u>748,979</u>	<u>-</u>	
Expenses							
Community & Economic Planning & Development	120	94,333	71,195	23,138	94,333	-	
Community Development Block Grant	125	56,500	42,243	14,257	56,500	-	
ARC Planning	130	382,626	295,991	86,635	382,626	-	
JFA EDA - CARES	371-54	<u>215,520</u>	<u>159,954</u>	<u>55,566</u>	<u>215,520</u>	<u>-</u>	
		<u>748,979</u>	<u>569,383</u>	<u>179,596</u>	<u>748,979</u>	<u>-</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, 2022**

	Agency Adminis- tration	Social Services Title III-B	Ombudsman Title III-B	Admin CG Meals Title III-C1	CG Meals Title III-C1	Admin HD Meals Title III-C2	HD Meals Title III-C2	Preventative Health Title III-D	Caregiver Admin Title III-E	Caregiver Services Title III-E	Total Homecare	Total Title V-VII	Subtotal Contracts
Revenues													
Federal grant	\$ 5,893	\$ 196,785	\$ 22,612	\$ 6,542	\$ 230,553	\$ 4,889	\$ 139,360	\$ 8,541	\$ 2,606	\$ 50,941	\$ -	\$ 274,562	\$ 943,284
State grant	16,769	13,000	3,000	23,269	190,346	10,812	244,434	2,010	7,405	76,328	434,917	1,236	1,023,526
Local	-	163,632	-	-	338,702	-	137,523	28	-	-	-	38,475	678,360
Other	-	-	260	-	25,833	-	172	-	-	-	1,236	-	27,501
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	30	-	-	468	-	-	-	-	-	-	-	498
Local funds applied	<u>2,832</u>	<u>3,679</u>	<u>1,542</u>	<u>1,017</u>	<u>-</u>	<u>472</u>	<u>2,679</u>	<u>313</u>	<u>736</u>	<u>13,334</u>	<u>52,100</u>	<u>8,215</u>	<u>86,919</u>
Total revenues	<u>25,494</u>	<u>377,126</u>	<u>27,414</u>	<u>30,828</u>	<u>785,902</u>	<u>16,173</u>	<u>524,168</u>	<u>10,892</u>	<u>10,747</u>	<u>140,603</u>	<u>488,253</u>	<u>322,488</u>	<u>2,760,088</u>
Expenses													
Salaries	9,816	39,408	10,507	12,383	52,106	5,824	31,814	4,171	4,397	24,638	179,552	220,736	595,352
Fringe benefits	7,295	32,828	7,782	8,931	35,628	4,107	28,025	3,458	3,194	17,817	145,754	39,338	334,157
Staff travel	401	262	1,999	-	6,520	-	463	161	-	161	30,101	1,396	41,464
Subgrantees	-	245,290	-	-	447,123	-	253,791	311	-	-	-	38,475	984,990
Other costs	<u>1,990</u>	<u>34,041</u>	<u>721</u>	<u>2,050</u>	<u>213,801</u>	<u>2,764</u>	<u>189,120</u>	<u>119</u>	<u>498</u>	<u>83,119</u>	<u>18,925</u>	<u>2,188</u>	<u>549,336</u>
Total direct cost	19,502	351,829	21,009	23,364	755,178	12,695	503,213	8,220	8,089	125,735	374,332	302,133	2,505,299
Shared costs	<u>5,992</u>	<u>25,297</u>	<u>6,405</u>	<u>7,464</u>	<u>30,724</u>	<u>3,478</u>	<u>20,955</u>	<u>2,672</u>	<u>2,658</u>	<u>14,868</u>	<u>113,921</u>	<u>20,355</u>	<u>254,789</u>
Total expenses	<u>25,494</u>	<u>377,126</u>	<u>27,414</u>	<u>30,828</u>	<u>785,902</u>	<u>16,173</u>	<u>524,168</u>	<u>10,892</u>	<u>10,747</u>	<u>140,603</u>	<u>488,253</u>	<u>322,488</u>	<u>2,760,088</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2022**

	KY LTC Ombudsman	Medicaid ADRC	Medicaid ADRC CARES No Wrong Door	CDC ADRC	FAST	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	NSIP	SHIP	Subtotal Contracts	Total Area Agency on Aging
Revenues												
Federal grant	\$ -	\$ 11,000	\$ 35,260	\$ 9,280	\$ 1,000	\$ 12,578	\$ 12,258	\$ 5,968	\$ 59,378	\$ 25,433	\$ 172,155	\$ 1,054,679
State grant	33,241	11,000	-	-	-	-	-	-	-	-	44,241	1,135,923
Local	-	-	-	-	-	-	-	-	-	-	-	678,360
Other	-	-	-	-	-	-	-	-	-	-	-	27,501
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	498
Local funds applied	3,035	5,351	4,716	676	7	1,236	1,245	-	-	2,574	18,840	98,363
Total revenues	36,276	27,351	39,976	9,956	1,007	13,814	13,503	5,968	59,378	28,007	235,236	2,995,324
Expenses												
Salaries	15,339	11,600	17,335	6,332	-	5,840	5,831	2,501	-	11,310	76,088	671,440
Fringe benefits	11,026	8,657	11,952	1,042	-	4,391	4,170	1,919	-	9,265	52,422	386,579
Staff travel	66	-	-	-	-	-	-	-	-	-	66	41,530
Subgrantees	-	-	-	-	-	-	-	-	25,295	-	25,295	1,010,285
Other costs	612	-	433	-	1,007	-	-	-	34,083	227	36,362	585,698
Total direct cost	27,043	20,257	29,720	7,374	1,007	10,231	10,001	4,420	59,378	20,802	190,233	2,695,532
Shared costs	9,233	7,094	10,256	2,582	-	3,583	3,502	1,548	-	7,205	45,003	299,792
Total expenses	36,276	27,351	39,976	9,956	1,007	13,814	13,503	5,968	59,378	28,007	235,236	2,995,324
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HOMECARE
for the year ended June 30, 2022**

	Admin	Assessment	Case Management	Social Services	H.D.Meals	Total Homecare
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	35,431	8,222	84,017	302,655	4,592	434,917
Local	-	-	-	-	-	-
Other	-	-	1,236	-	-	1,236
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	10,790	282	22,079	18,949	-	52,100
Total revenues	46,221	8,504	107,332	321,604	4,592	488,253
Expenses						
Salaries	18,288	3,581	42,776	114,907	-	179,552
Fringe benefits	12,272	2,336	30,288	100,858	-	145,754
Staff travel	-	515	1,003	28,583	-	30,101
Subgrantees	-	-	-	-	-	-
Other costs	4,959	-	7,678	1,696	4,592	18,925
Total direct cost	35,519	6,432	81,745	246,044	4,592	374,332
Shared costs	10,702	2,072	25,587	75,560	-	113,921
Total expenses	46,221	8,504	107,332	321,604	4,592	488,253
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE V and VII
for the year ended June 30, 2022

	Title V			Total Title V	Title VII			Total Title VII	Schedule Total
	Admin	Enrollees	Other		Elder Abuse	Ombuds- man	Ombuds- man ARPA		
Revenues									
Federal grant	\$ 20,940	\$ 201,951	\$ 36,783	\$ 259,674	\$ 2,399	\$ 7,691	\$ 4,798	\$ 14,888	\$ 274,562
State grant	-	-	-	-	423	813	-	1,236	1,236
Local	-	-	38,475	38,475	-	-	-	-	38,475
Other	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Local funds applied	1,214	-	2,206	3,420	2,644	2,151	-	4,795	8,215
Total revenues	<u>22,154</u>	<u>201,951</u>	<u>77,464</u>	<u>301,569</u>	<u>5,466</u>	<u>10,655</u>	<u>4,798</u>	<u>20,919</u>	<u>322,488</u>
Expenses									
Salaries	9,248	187,210	15,522	211,980	2,393	4,387	1,976	8,756	220,736
Fringe benefits	6,921	14,741	11,674	33,336	1,655	2,997	1,350	6,002	39,338
Staff travel	99	-	1,134	1,233	-	113	50	163	1,396
Subgrantees	-	-	38,475	38,475	-	-	-	-	38,475
Other costs	224	-	1,135	1,359	-	572	257	829	2,188
Total direct cost	<u>16,492</u>	<u>201,951</u>	<u>67,940</u>	<u>286,383</u>	<u>4,048</u>	<u>8,069</u>	<u>3,633</u>	<u>15,750</u>	<u>302,133</u>
Shared costs	5,662	-	9,524	15,186	1,418	2,586	1,165	5,169	20,355
Total expenses	<u>22,154</u>	<u>201,951</u>	<u>77,464</u>	<u>301,569</u>	<u>5,466</u>	<u>10,655</u>	<u>4,798</u>	<u>20,919</u>	<u>322,488</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2022**

	Elder Abuse Grants	Elder Abuse Council	Senior Games	BRIC Public Health Project	Community Service Projects	Lee Co. Special Project	Humana Meals	Total Other Aging
Revenues								
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	5,500	-	-	-	-	-	-	5,500
Local	-	-	-	-	-	-	-	-
Other	732	3,270	5,035	40,651	784	1,312	-	51,784
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Local funds applied	-	-	1,112	-	-	-	57	1,169
Total revenues	<u>6,232</u>	<u>3,270</u>	<u>6,147</u>	<u>40,651</u>	<u>784</u>	<u>1,312</u>	<u>57</u>	<u>58,453</u>
Expenses								
Salaries	162	-	-	12,370	-	-	-	12,532
Fringe benefits	83	-	-	5,756	-	-	-	5,839
Staff travel	-	-	-	-	-	-	-	-
Subgrantees	-	-	-	-	-	-	-	-
Other costs	5,000	3,270	6,147	-	784	1,312	57	16,570
Total direct cost	<u>5,245</u>	<u>3,270</u>	<u>6,147</u>	<u>18,126</u>	<u>784</u>	<u>1,312</u>	<u>57</u>	<u>34,941</u>
Shared costs	86	-	-	6,348	-	-	-	6,434
Total expenses	<u>5,331</u>	<u>3,270</u>	<u>6,147</u>	<u>24,474</u>	<u>784</u>	<u>1,312</u>	<u>57</u>	<u>41,375</u>
Revenue over expenses	<u>\$ 901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,078</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
PARTICIPANT DIRECTED SERVICES (PDS)
for the year ended June 30, 2022**

	HCB Fin. Mgmt.	HCB Support Brok.	Durable Goods	Total PDS
Revenues				
Federal grant	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-
Local	562,517	653,051	87,452	1,303,020
Other	-	-	-	-
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	23,522	5,807	29,329
Total revenues	<u>562,517</u>	<u>676,573</u>	<u>93,259</u>	<u>1,332,349</u>
Expenses				
Salaries	162,512	293,557	-	456,069
Fringe benefits	115,542	201,042	-	316,584
Staff travel	-	3,578	-	3,578
Subgrantees	-	-	-	-
Other costs	2,506	5,189	93,259	100,954
Total direct cost	<u>280,560</u>	<u>503,366</u>	<u>93,259</u>	<u>877,185</u>
Shared costs	97,374	173,207	-	270,581
Total expenses	<u>377,934</u>	<u>676,573</u>	<u>93,259</u>	<u>1,147,766</u>
Revenue over expenses	<u>\$ 184,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,583</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2022**

	Transportation Planning	Waste Water Planning	Transportation Road Updates	FEMA	Brownfields	PCHP Referrals Assessment	Flood - Lee Senior Ctr 2021	Misc. Performance Contracts	Total
Revenues									
Federal	\$ -	\$ -	\$ -	\$ -	\$ 158,754	\$ -	\$ -	\$ -	\$ 158,754
State	83,254	-	7,637	-	-	-	-	66,000	156,891
Local	-	-	-	-	-	-	-	-	-
Other	-	330	-	2,019	379	576	-	316,833	320,137
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Applied to programs	35,587	116	458	180	6,366	1,669	15,004	-	59,380
Total revenues	118,841	446	8,095	2,199	165,499	2,245	15,004	382,833	695,162
Expenses									
Salaries	49,513	-	3,251	1,022	3,003	945	672	65,115	123,521
Employee benefits	31,100	-	2,679	607	2,134	718	459	46,717	84,414
Travel	5,733	-	88	-	1,257	-	658	7,069	14,805
Subgrantees	-	-	-	-	-	-	-	-	-
Other costs	4,265	446	-	-	157,306	-	12,819	11,258	186,094
Total direct cost	90,611	446	6,018	1,629	163,700	1,663	14,608	130,159	408,834
Shared costs	28,230	-	2,077	570	1,799	582	396	39,164	72,818
Total expenses	118,841	446	8,095	2,199	165,499	2,245	15,004	169,323	481,652
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,510	\$ 213,510

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE III DETAIL
for the year ended June 30, 2022**

	Agency Adminis- tration	Social Services Title III-B	Social Services ARPA III-B	Ombudsman Title III-B	Admin CG Meals Title III C1	Admin CG Meals Title III-C1	Admin HD Meals Title III-C2	Admin HD Meals Title III-C2	Preventative Health Title III-D	Admin Caregiver Services Title III-E	Caregiver Services Title III-E	Caregiver Services CARES III-E
Revenues												
Federal grant	\$ 5,893	\$ 187,544	\$ 9,241	\$ 22,612	\$ 6,542	\$ 230,553	\$ 4,889	\$ 139,360	\$ 8,541	\$ 2,606	\$ 42,475	\$ 8,466
State grant	16,769	13,000	-	3,000	23,269	190,346	10,812	244,434	2,010	7,405	76,328	-
Local	-	163,632	-	-	-	338,702	-	137,523	28	-	-	-
Other	-	-	-	260	-	25,833	-	172	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	30	-	-	-	468	-	-	-	-	-	-
Local funds applied	2,832	3,679	-	1,542	1,017	-	472	2,679	313	736	13,334	-
Total revenues	25,494	367,885	9,241	27,414	30,828	785,902	16,173	524,168	10,892	10,747	132,137	8,466
Expenses												
Salaries	9,816	39,408	-	10,507	12,383	52,106	5,824	31,814	4,171	4,397	23,154	1,484
Fringe benefits	7,295	32,828	-	7,782	8,931	35,628	4,107	28,025	3,458	3,194	16,744	1,073
Staff travel	401	262	-	1,999	-	6,520	-	463	161	-	152	9
Subgrantees	-	236,049	9,241	-	-	447,123	-	253,791	311	-	-	-
Other costs	1,990	34,041	-	721	2,050	213,801	2,764	189,120	119	498	78,114	5,005
Total direct cost	19,502	342,588	9,241	21,009	23,364	755,178	12,695	503,213	8,220	8,089	118,164	7,571
Shared costs	5,992	25,297	-	6,405	7,464	30,724	3,478	20,955	2,672	2,658	13,973	895
Total expenses	25,494	367,885	9,241	27,414	30,828	785,902	16,173	524,168	10,892	10,747	132,137	8,466
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**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, 2022, 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 7, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that have not been identified.

Report on 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 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 7, 2022



**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

Opinion on Each Major Federal Program

We have audited Kentucky River Area Development District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
December 7, 2022

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2022**

GRANTOR/PROGRAM TITLE	Federal AL 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-C52-21	1/1/21-12/31/22	\$ -	\$ 57,371
ARC Planning	23.009	KY-702-I-C53-22	1/1/22-12/31/23	-	73,897
Total Appalachian Regional Commission				-	131,268
U.S. Department of Commerce					
Economic Development Administration					
Passed through State (DLG) (Note 1)					
JFA - Community and Economic Assistance	11.302	PON2 112 2100003357 1	7/1/21-6/30/22	-	66,667
JFA - Community and Economic Assistance - CARES	11.307	PON2 112 2100000399 1	8/20/20-6/30/22	-	214,360
Total Department of Commerce				-	281,027
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) (Note 1)					
JFA - CDBG	14.228	PON2 112 2100003357 1	7/1/21-6/30/22	-	20,127
U.S. Environmental Protection Administration					
Direct Award					
Brownfields Assessment and Cleanup	66.818	01D11720	10/1/20-9/30/23	-	158,754
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 2000002005 1	7/1/21-6/30/22	81,628	212,076
Title III B Support Services - CARES Act	93.044	PON2 725 2000002005 1	7/1/21-6/30/22	-	9,241
CDC ADRC	93.044	PON2 725 2000004400 4	7/1/20-6/30/22	-	9,280
Title III C1 Congregate Meals	93.045	PON2 725 2000002005 1	7/1/21-6/30/22	107,953	239,261
Title III C2 Home Delivered Meals	93.045	PON2 725 2000002005 1	7/1/21-6/30/22	116,268	145,567
NSIP	93.053	PON2 725 1900000884 3	10/1/20-9/30/21	-	16,778
NSIP	93.053	PON2 725 2100003024 2	10/1/21-9/30/22	-	42,600
Total aging cluster				305,849	674,802
Title VII Elder Abuse	93.041	PON2 725 2100018110 2	7/1/21-6/30/22	-	2,399
Title VII Ombudsman	93.042	PON2 725 2100018110 2	7/1/21-6/30/22	-	7,691
Title VII Ombudsman - CARES Act	93.042	PON2 725 2100018110 2	7/1/21-6/30/22	-	4,798
Title III D Preventative Health	93.043	PON2 725 2000002005 1	7/1/21-6/30/22	749	8,619
Title III E Caregiver	93.052	PON2 725 2000002005 1	7/1/21-6/30/22	-	45,493
Title III E Caregiver - CARES Act	93.052	PON2 725 2000002005 1	7/1/21-6/30/22	-	8,466
FAST	93.069	PON2 725 2000002444 1	7/1/21-6/30/22	-	1,000
MIPPA SHIP	93.071	PON2 725 2100003015 2	9/1/21-8/31/22	-	12,578
MIPPA AAA	93.071	PON2 725 2100003015 2	9/1/21-8/31/22	-	12,258
MIPPA ADRC	93.071	PON2 725 2100003015 2	9/1/21-8/31/22	-	5,968
CMS SHIP	93.324	PON2 725 2000003467 3	7/1/21-6/30/22	-	25,433
ADRC CARES - No Wrong Door	93.048	PON2 725 2000004400 5	7/1/21-6/30/22	-	35,260
Medicaid ADRC	93.778	PON2 725 2000004400 5	7/1/21-6/30/22	-	11,000
Total Health and Human Services				306,598	855,765
U.S. Department of Labor (DOL)					
Passed through State (CHFS/DAIL)					
Title V SCSEP	17.235	PON2 725 2000002889 3	7/1/20-6/30/22	-	259,674
Total federal expenditures				\$ 306,598	\$ 1,706,615

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, 2022**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified __Yes X No

Significant deficiencies identified that are not
considered to be material weaknesses __Yes X None reported

Non-compliance material to financial statements noted __Yes X No

Federal Awards:

Internal control over major programs:

Material weaknesses identified __Yes X No

Significant deficiencies identified that are not
considered to be material weaknesses __Yes X None reported

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

Unmodified for all major programs.

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

Major Programs:

AL Number	Name of Federal Program or Cluster
93.044, 93.045, 93.053	Title III, Part B & C, NSIP Aging Cluster
93.052	Title III Part E Caregiver

Dollar threshold used to distinguish between type A
and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? __Yes X No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE