

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

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**FINANCIAL STATEMENTS  
June 30, 2023**

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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, 2023, 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, 2023, 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 11, 2023, 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 11, 2023

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis provides an overview of Kentucky River Area Development District's financial performance during the fiscal years 2023 and 2022. 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 7. 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 9. 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 2023 decreased by \$240,013. The current year increase in the net pension liability totaled \$622,235. The current year increase in the net OPEB liability totaled \$74,395.

**Condensed Statement of Net Position**

	<u>FY 2023</u>	<u>FY 2022</u>
Current Assets	\$ 2,538,491	\$ 2,333,039
Other Assets	2,248,094	2,307,752
Deferred Outflows of Resources	<u>1,158,960</u>	<u>1,113,316</u>
<b>Total Assets &amp; Deferred Outflows</b>	<b><u>\$ 5,945,545</u></b>	<b><u>\$ 5,754,107</u></b>
Current Liabilities	\$ 758,944	\$ 362,671
Long-term Liabilities	6,744,754	6,063,176
Deferred Inflows of Resources	490,342	1,096,939
Net Position		
Net investment in capital assets	333,943	373,746
Unrestricted	<u>(2,382,438)</u>	<u>(2,142,425)</u>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<b><u>\$ 5,945,545</u></b>	<b><u>\$ 5,754,107</u></b>

The statement of activities provides a more detailed look at the nature of these changes. The District had a net loss of (\$287,869) for the year ended June 30, 2023, compared to net income of \$153,721 in 2022. Revenues increased as did expenses. The increase in revenue was \$432,949, while the increase in expenses totaled \$874,539.

### Statement of Activities

	<u>FY 2023</u>	<u>FY 2022</u>
<b>Revenues</b>		
Charges for service	\$ 2,215,777	\$ 2,381,300
Operating grants and contributions	3,692,494	3,088,308
General revenue	<u>99,005</u>	<u>104,719</u>
<b>Total Revenues</b>	<u>6,007,276</u>	<u>5,574,327</u>
<b>Operating Expenses</b>		
General government	76,039	(36,340)
Community/economic development	796,419	748,979
Aging and independent living services	4,972,808	4,184,465
Other services	407,137	481,652
Interest	<u>42,742</u>	<u>41,850</u>
<b>Total Expenses</b>	<u>6,295,145</u>	<u>5,420,606</u>
<b>Change in Net Position</b>	(287,869)	153,721
<b>Net Position – Beginning of the Year</b>	(1,768,679)	(1,979,280)
Adjustments for deferred income, A/R, & write-offs	<u>8,053</u>	<u>56,880</u>
<b>Net Position – End of Year</b>	<u>\$ (2,048,495)</u>	<u>\$ (1,768,679)</u>

## CAPITAL ASSETS

The District invested \$40,926 (net) in capital assets for fiscal year 2023. This amount primarily includes the purchase of a vehicle and a building renovation. Accumulated depreciation increased \$112,247. The net investment in capital assets at the end of fiscal year 2023 totaled \$333,943 (assets less related debt).

	<b>Balance June 30, 2021</b>	<b>FY 2022 Additions</b>	<b>FY 2022 Disposals</b>	<b>Balance June 30, 2022</b>	<b>FY 2023 Additions</b>	<b>FY 2023 Disposals</b>	<b>Balance June 30, 2023</b>
Property & Equipment	\$ 2,252,143	\$ 509,330	\$ (283,752)	\$ 2,477,721	\$ 40,926	\$ 0	\$ 2,518,647
Accumulated Depreciation	(598,172)	(99,660)	0	(697,832)	(112,247)	0	(810,079)
<b>NET</b>	<b><u>\$ 1,653,971</u></b>	<b><u>\$ 409,670</u></b>	<b><u>\$ (283,752)</u></b>	<b><u>\$ 1,779,889</u></b>	<b><u>\$ (71,321)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,708,568</u></b>

## DEBT

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

	<b>Balance June 30, 2021</b>	<b>FY 2022 Additions</b>	<b>FY 2022 Payments</b>	<b>Balance June 30, 2022</b>	<b>FY 2023 Additions</b>	<b>FY 2023 Payments</b>	<b>Balance June 30, 2023</b>
RD Note (Rural Development)	\$ 1,416,651	\$ 0	\$ (21,422)	\$ 1,395,229	\$ 0	\$ (20,604)	\$ 1,374,625

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2024 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2024, 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, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,898,003
Accounts receivable	
Federal, state and local grants	639,029
Miscellaneous	<u>1,459</u>
Total current assets	<u>2,538,491</u>
Noncurrent assets	
Restricted cash and cash equivalents	63,516
Certificates of deposit	356,013
Related party receivable	119,997
Property and equipment, net	<u>1,708,568</u>
Total noncurrent assets	<u>2,248,094</u>
Total assets	<u>4,786,585</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	669,624
Deferred outflows - OPEB	<u>489,336</u>
Total deferred outflows of resources	<u>1,158,960</u>
Total assets and deferred outflows of resources	<u>\$ 5,945,545</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 234,201
Accrued expenses	62,455
Unearned grant revenue	418,353
Accrued interest	19,666
Current portion of debt	<u>24,269</u>
Total current liabilities	<u>758,944</u>
Long-term liabilities	
Accrued annual leave	132,834
Long-term portion of debt	1,350,356
Net pension liability	4,133,188
Net OPEB liability	<u>1,128,376</u>
Total long-term liabilities	<u>6,744,754</u>
Total liabilities	<u>7,503,698</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	36,808
Deferred inflows - OPEB	<u>453,534</u>
Total deferred inflows of resources	<u>490,342</u>
<b>NET POSITION</b>	
Net investment in capital assets	333,943
Unrestricted	<u>(2,382,438)</u>
Total net position	<u>(2,048,495)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,945,545</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, 2023

<u>Functions/Programs</u>	<u>Direct Expenses</u>	<u>Indirect Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government:</b>						
<b>Governmental activities</b>						
General government	\$ 76,039	\$ -	\$ -	\$ -	\$ -	\$ (76,039)
Community/Economic development	610,400	186,019	-	491,911	-	(304,508)
Aging and independent living services	4,341,056	631,752	2,016,819	2,929,841	-	(26,148)
Other services	340,106	67,031	198,958	270,742	-	62,563
Interest on long-term debt	42,742	-	-	-	-	(42,742)
<b>Total primary government</b>	<b>\$ 5,410,343</b>	<b>\$ 884,802</b>	<b>\$ 2,215,777</b>	<b>\$ 3,692,494</b>	<b>\$ -</b>	<b>(386,874)</b>
				<b>General revenues:</b>		
				Member dues		80,710
				Rental income		10,200
				Interest and other		8,095
				Total general revenues		99,005
				<b>Change in Net Position</b>		(287,869)
				Net position adjustments relating to prior years activity		8,053
				Net position-beginning		(1,768,679)
				<b>NET POSITION-ENDING</b>		<b>\$ (2,048,495)</b>

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Current assets			
Cash - unrestricted	\$ 877,397	\$ 1,020,606	\$ 1,898,003
Cash - restricted	63,516	-	63,516
Certificates of deposit	356,013	-	356,013
Accounts receivable, net	1,459	639,029	640,488
Accounts receivable, related party	-	119,997	119,997
Total assets	\$ 1,298,385	\$ 1,779,632	\$ 3,078,017
<b>LIABILITIES AND FUND BALANCE</b>			
Current liabilities			
Accounts payable	\$ -	\$ 234,201	\$ 234,201
Accrued liabilities	-	62,455	62,455
Unearned grant revenue	-	418,353	418,353
Total liabilities	-	715,009	715,009
Fund balance			
Restricted	63,516	1,064,623	1,128,139
Unassigned	1,234,869	-	1,234,869
Total fund balance	1,298,385	1,064,623	2,363,008
Total liabilities and fund balance	\$ 1,298,385	\$ 1,779,632	\$ 3,078,017
Total government fund balance			\$ 2,363,008
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			1,708,568
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			(6,120,071)
Net position of governmental activities			\$ (2,048,495)

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, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Government Funds</b>
<b>REVENUES</b>			
Federal	\$ -	\$ 2,166,019	\$ 2,166,019
State	-	1,526,475	1,526,475
Local / service fees (includes in-kind and program income)	99,005	2,212,916	2,311,921
Total revenues	99,005	5,905,410	6,004,415
<b>EXPENDITURES</b>			
Current			
General government	25,420	-	25,420
Community/Economic Development	-	781,945	781,945
Aging and Independent Living Services	-	4,882,434	4,882,434
Other services	-	399,738	399,738
Capital outlay	40,926	-	40,926
Debt service	63,685	-	63,685
Total expenditures	130,031	6,064,117	6,194,148
Excess of revenues over (under) expenditures	(31,026)	(158,707)	(189,733)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	78,209	(78,209)	-
<b>Net change in fund balance</b>	47,183	(236,916)	(189,733)
<b>Fund balance - beginning</b>	1,251,202	1,301,539	2,552,741
<b>FUND BALANCE - END OF YEAR</b>	\$ 1,298,385	\$ 1,064,623	\$ 2,363,008
Net change in fund balance - total governmental funds			\$ (189,733)
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			40,926
Depreciation expense			(112,247)
Net position adjustments relating to prior year activity			2,861
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position			20,604
Change in accrued interest payable			339
Change in accrued annual leave			(6,230)
Change in the net pension and OPEB liabilities and related deferred inflows and outflows			(44,389)
Change in net position of governmental activities			\$ (287,869)

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**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 way 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, 2023**

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**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 based on direct salary and fringe costs, allocated per employee's time records. Non-federal matching contributions are applied to individual programs based on 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, 2023**

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**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 more than 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, 2023 is \$132,834.

**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, 2023**

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**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 2019.

**Subscription-based Information Technology Arrangements** - Effective July 1, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. 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 11, 2023, 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, 2023, 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, 2023**

**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. 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 fully covered by FDIC insurance or collateralized by the holding institution with securities and an irrevocable, unconditional and non-transferable letter of credit that was effective from July 19, 2022 to July 18, 2023. The following cash balances are detailed as of June 30, 2023:

Total cash and certificates of deposit	\$ 2,630,273
FDIC Insurance	(606,013)
Collateralized by securities and letter of credit held in District's name	<u>(2,287,844)</u>
(Over) under collateralized	<u>\$ (263,584)</u>

**3. GRANTS RECEIVABLE**

Federal, state and local grants receivable consist of the following at June 30, 2023:

2019 Local projects	\$ 57,357
2020 Local projects	1,818
2021 Local projects	24,357
2022 Local projects	8,989
2023 Local projects	77,117
Aging	322,882
PDS	<u>146,509</u>
Total grant receivable	<u>\$ 639,029</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 \$112,247 for the year ended June 30, 2023. The following summarizes the changes in capital assets during the year ended June 30, 2023:

	<b>6/30/2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>6/30/2023</b>
	<b>Balance</b>			<b>Balance</b>
Construction in progress, not depreciated	\$ -	\$ 11,507	\$ -	\$ 11,507
Building and equipment	2,477,721	29,419	-	2,507,140
Accumulated depreciation	<u>(697,832)</u>	<u>(112,247)</u>	<u>-</u>	<u>(810,079)</u>
Net	<u>\$ 1,779,889</u>	<u>\$ (71,321)</u>	<u>\$ -</u>	<u>\$ 1,708,568</u>

The beginning balance of \$2,477,721 was restated by \$10,914 to account for a change in the prior year. This activity is included in net position adjustments on the statement of revenues, expenditures and changes in fund balance.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023**

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**5. UNEARNED GRANT REVENUE**

On June 30, 2023, unearned grant revenue includes revenues received, but not earned. For the District, those programs are as follows:

<b>Grant Name</b>	
Brownfields	\$ 6,526
CADD Tower	2,497
Data collection	1,260
Senior games	11,440
RAM Event	2,736
Elder Abuse Council	14,096
Kentucky Caregiver	72
NSIP	7,235
TBI	44
MIPPA ADRC	216
Aging Community Project	2,140
Lee Co. Senior Center Project	7,643
Wolfe Co. Senior Center Project	1,388
Letcher Co. Senior Center Project	575
Owsley Cp. Senior Center Project	100
Local dues – total	438
Community Events Fund	5,382
United Way EFSP Fund	13,519
Appalachia Rise Rehab Fund Grant	6,816
Booneville Water Rehab Project Phase I	514
Appalachia Rises Relief Fund Grant	2,500
KRADD Disaster Relief	10
FEMA Hazard Mitigation	51
Medicaid Appendix K	<u>331,155</u>
 Total	 <u><b>\$ 418,353</b></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, 2023 totaled \$42,742. The following is an amortization of future maturities:

<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	27,181	36,419	63,600
2029-2033	148,083	169,917	318,000
2034-2038	170,624	147,376	318,000
2039-2043	196,590	121,410	318,000
2044-2048	228,663	89,337	318,000
2049-2053	263,494	54,506	318,000
2054-2057	<u>238,649</u>	<u>15,429</u>	<u>254,078</u>
	<u><b>\$ 1,374,625</b></u>	<u><b>\$ 787,453</b></u>	<u><b>\$ 2,162,078</b></u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023**

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**6. LONG-TERM LIABILITIES (CONTINUED)**

Change in long-term liabilities is as follows:

	<b>6/30/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>6/30/2023</b>
Accrued leave	\$ 126,604	\$ 100,823	\$ (94,593)	\$ 132,834
Net pension liability	3,510,953	622,235	-	4,133,188
Net OPEB liability	1,053,981	74,395	-	1,128,376
Debt	<u>1,395,229</u>	<u>-</u>	<u>(20,604)</u>	<u>1,374,625</u>
Total	<u>\$ 6,086,767</u>	<u>\$ 797,453</u>	<u>\$ (115,197)</u>	<u>\$ 6,769,023</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 Public Pensions Authority (KPPA) administers the CERS. The plan issues publicly available financial statements which may be downloaded from the KPPA 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, 2023, 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 based on 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 based on 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, 2023, participating employers contributed 26.79% of each employee's wages, for non-hazardous job classifications. The contributions are allocated 23.40% to the pension trust and 3.39% 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 CERS 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 \$467,966 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated \$408,750 to the CERS pension fund and \$59,216 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, 2023**

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**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 and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 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 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* – On June 30, 2023, the District reported a liability of \$4,133,188 based upon its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 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. On June 30, 2022, the District's proportion was 0.0572 percent, which was an increase of 0.0021 percent from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$387,670. On June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 4,419	\$ 36,808
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	105,960	-
Changes in proportion and differences between District contributions and proportionate share of contributions	150,495	-
District contributions after the measurement date	408,750	-
<b>Total</b>	<b>\$ 669,624</b>	<b>\$ 36,808</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**7. PENSION PLAN (CONTINUED)**

The \$408,750 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2024	\$ 88,492
2025	\$ 52,892
2026	\$ (34,733)
2027	\$ 117,415

*Actuarial Assumptions* – The total pension liability in the June 30, 2022 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, 2022 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, 2021) to the plan's fiscal year ending June 30, 2022.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91%)
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Total</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long Term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.58%</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023**

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**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 30-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:

	<b>Discount rate</b>	<b>District’s proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 5,165,973
Current discount rate	6.25%	\$ 4,133,188
1% increase	7.25%	\$ 3,278,990

*Payable to the Pension Plan* – At June 30, 2023, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

**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, 2023, the employer’s contribution was 3.39% 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 based on 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 based on 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 Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the District contributed \$59,216, 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, 2023**

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**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* – On June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability of \$1,128,376. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, 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, 2022 was 0.0572 percent which was an increase of 0.0021 percent compared to June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$168,673. On June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 113,580	\$ 258,763
Changes of assumptions	178,461	147,050
Net difference between projected and actual earnings on Plan investments	45,798	-
Changes in proportion and differences between District contributions and proportionate share of contributions	51,599	47,721
District contributions after the measurement date	<u>99,898</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 489,336</u></b>	<b><u>\$ 453,534</u></b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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

The \$99,898 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, 2024. This includes an adjustment of \$40,682 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,	
2024	\$ (4,554)
2025	\$ (11,026)
2026	\$ (60,279)
2027	\$ 11,763

*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 6.20% on January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
	Post – 65: Initial trend starting at 9.00% on January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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, 2022 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, 2021) to the plan's fiscal year ending June 30, 2022.



**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023**

**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
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91%)
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Total</b>	<b>100.00%</b>	<b>4.28%</b>
<b>Long Term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.58%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.70% 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, 2022, 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	4.70%	\$ 1,508,459
Current discount rate	5.70%	\$ 1,128,376
1% increase	6.70%	\$ 814,174

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023**

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**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:

	<b>District's proportionate share of net OPEB liability</b>
1% decrease	\$ 838,923
Current trend rate	\$ 1,128,376
1% increase	\$ 1,475,955

*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, 2023, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

**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 its initial contribution to the program and an additional \$146,509 for the year ended June 30, 2023.

**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 34. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**13. PERFORMANCE CONTRACTS**

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2023 the following revenues were recorded in performance contracts:

Transportation Planning	\$ 84,704
FEMA Project	4,068
ACL Grant 2022 Senior Center Flood	58,186
Senior Flood Donation Fund 2022	14,431
Disaster Relief 2022	5,703
Fleming Neon Water Line Improvement Phase I 2022	10,000
KIA	66,000
Whitesburg Tank Rehab 2022	7,500
Brownfields	58,457
Campton/Hazel Green	500
FEMA – BRIC 2023	577
Knott County WSD Generator 2022	1,000
FLMST Capital Management Project	2,500
Breathitt Co. Water District Waterline Extension Project	500
Campton Tank Replacement	8,125
Hindman Sewer Rehab	7,600
Beattyville Sewer Rehab Project	9,869
Jackson Waterline Replacement Project	10,000
Beattyville Connect AML 2020	500
Hindman Waterline Extension 2020	8,125
Fleming/Neon Sewer Rehab 2022	500
Breathitt Elk View II	500
Booneville Radio Read Meter 2020	10,000
Breathitt CWD	28,125
Jackson Sewer Rehab	29,500
Jenkins WLR KY 805 Project 2021	10,000
Leslie Teleworks	500
CCAG Whitesburg Farmers Market	750
Boonville I&I Reduction	10,000
Perry CDBG-CV	3,750
Road Updates	3,395
Beverly Heights/Sigman WLEP 2023	500
Breathitt Elk View Mast Plan 2023	500
Perry County Magisterial Redistricting 2023	500
Owsley County Magisterial Redistricting 2023	500
Knott Garner Mt. Pump Station Replacement 2023	<u>500</u>
Total performance contracts	<u>\$ 457,865</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, 2023**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Federal funds	\$ 2,080,529	\$ 2,080,529	\$ 2,166,019	\$ 85,490
State funds	798,042	798,042	1,526,475	728,433
Local dues	82,013	82,013	80,710	(1,303)
Local service and other funds	<u>2,066,675</u>	<u>2,066,675</u>	<u>2,234,072</u>	<u>167,397</u>
 Total revenues	 <u>5,027,259</u>	 <u>5,027,259</u>	 <u>6,007,276</u>	 <u>980,017</u>
<b>EXPENSES</b>				
Salaries and wages	1,778,602	1,778,602	1,946,435	167,833
Employee benefits	1,142,586	1,142,586	1,274,582	131,996
Travel	90,000	90,000	112,754	22,754
Aging pass through to local agencies	468,935	468,935	1,170,538	701,603
Title V enrollees	240,588	240,588	180,033	(60,555)
Accounting	22,900	22,900	26,750	3,850
Supplies	624,107	624,107	572,591	(51,516)
Postage	12,000	12,000	15,755	3,755
Dues, fees and subscriptions	27,275	27,275	21,693	(5,582)
Equipment, leases and depreciation	149,000	149,000	279,941	130,941
Other costs	<u>471,266</u>	<u>471,266</u>	<u>694,073</u>	<u>222,807</u>
 Total expenses	 <u>5,027,259</u>	 <u>5,027,259</u>	 <u>6,295,145</u>	 <u>1,267,886</u>
 <b>EXCESS (EXPENSES) OVER REVENUES</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (287,869)</u>	 <u>\$ (287,869)</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 Ten Fiscal Years**

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<b>Financial statement year (Measurement year)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
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%	0.0572%
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	\$ 4,133,188
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	\$ 1,575,552
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%	262.33%
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%	57.33%	52.42%

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

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	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Contractually required employer contribution	\$ 160,503	\$ 159,284	\$ 162,802	\$ 197,977	\$ 217,233	\$ 242,958	\$ 265,319	\$ 272,316	\$ 358,911	\$ 408,750
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>358,911</u>	<u>408,750</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,746,792
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%	22.78%	23.40%

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

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<b>Financial statement year (Measurement year)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>
District's proportion of the net OPEB liability	0.0544%	0.0583%	0.0605%	0.0533%	0.0535%	0.0551%	0.0572%
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	\$ 1,128,376
District's covered employee payroll	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552
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%	71.62%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

Notes:

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



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

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	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Contractually required employer contribution	\$ 60,159	\$ 61,465	\$ 62,822	\$ 67,128	\$ 70,511	\$ 70,932	\$ 65,436	\$ 67,162	\$ 65,700	\$ 59,216
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>65,700</u>	<u>59,216</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,746,792
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%	4.17%	3.39%

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**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, 2022 – Pension and OPEB**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

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

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

**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.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**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.

**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.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**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**

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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 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 more than \$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**

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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, 2023**

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**Cost Category**

Personnel compensation	\$ 262,014
Fringe benefits	161,363
Travel	7,691
Accounting	26,750
Supplies	84,747
Postage	15,745
Telephone and utilities	34,588
Dues, fees and subscriptions	22,578
Equipment, leases and depreciation	186,721
Other	<u>82,605</u>
 Total shared costs allocated	 <u>\$ 884,802</u>

**STATEMENTS OF OPERATIONS  
BY PROGRAM**

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS BY PROGRAM**  
for the year ended June 30, 2023

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	PDS	Other Grants	Local Operations	G & A Expense	Total
<b>Revenues</b>								
Federal	\$ 231,889	\$ 1,875,673	\$ -	\$ -	\$ 58,457	\$ -	\$ -	\$ 2,166,019
State	260,022	927,668	126,500	-	212,285	-	-	1,526,475
Local	-	491,058	-	1,505,512	-	99,005	-	2,095,575
Other	-	706	17,347	-	198,958	-	-	217,011
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	2,196	-	-	-	-	-	2,196
Applied to programs	304,508	180,705	812	167,897	29,109	(683,031)	-	-
<b>Total revenues</b>	<b>796,419</b>	<b>3,478,006</b>	<b>144,659</b>	<b>1,673,409</b>	<b>498,809</b>	<b>(584,026)</b>	<b>-</b>	<b>6,007,276</b>
<b>Expenses</b>								
Salaries	326,340	690,500	805	552,603	114,173	-	262,014	1,946,435
Employee benefits	217,359	409,858	733	373,663	81,754	44,389	146,826	1,274,582
Travel	31,552	43,454	-	11,873	11,338	-	14,537	112,754
Subgrantees	-	1,159,905	-	-	2,842	100	7,691	1,170,538
Other costs	35,149	859,969	132,346	105,347	129,999	74,292	453,734	1,790,836
<b>Total direct cost</b>	<b>610,400</b>	<b>3,163,686</b>	<b>133,884</b>	<b>1,043,486</b>	<b>340,106</b>	<b>118,781</b>	<b>884,802</b>	<b>6,295,145</b>
Shared costs	186,019	314,320	526	316,906	67,031	-	(884,802)	-
<b>Total expenses</b>	<b>796,419</b>	<b>3,478,006</b>	<b>134,410</b>	<b>1,360,392</b>	<b>407,137</b>	<b>118,781</b>	<b>-</b>	<b>6,295,145</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,249</b>	<b>\$ 313,017</b>	<b>\$ 91,672</b>	<b>\$ (702,807)</b>	<b>\$ -</b>	<b>\$ (287,869)</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
JOINT FUNDING ADMINISTRATION PROGRAM  
for the year ended June 30, 2023**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
<b>Revenues</b>							
Federal Funds		\$ 231,889	\$ -	\$ -	\$ 231,889	\$ -	
State Funds		260,022	-	-	260,022	-	
Local Funds		<u>304,508</u>	<u>-</u>	<u>-</u>	<u>304,508</u>	<u>-</u>	
		<u>796,419</u>	<u>-</u>	<u>-</u>	<u>796,419</u>	<u>-</u>	
<b>Expenses</b>							
Community & Economic Planning & Development	120	123,544	93,104	30,440	123,544	-	
Community Development Block Grant	125	55,065	42,578	12,487	55,065	-	
ARC Planning	130	327,131	253,630	73,501	327,131	-	
Management Assistance	140	143,338	109,112	34,226	143,338	-	
Program Administration	150	146,283	111,188	35,095	146,283	-	
JFA EDA - CARES	371-54	<u>1,058</u>	<u>788</u>	<u>270</u>	<u>1,058</u>	<u>-</u>	
		<u>796,419</u>	<u>610,400</u>	<u>186,019</u>	<u>796,419</u>	<u>-</u>	<u>-</u>
<b>Revenues over expenses</b>		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
AREA AGENCY ON AGING  
for the year ended June 30, 2023**

	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	Expanded Senior Meals Program	Preventative Health Title III-D	Caregiver Admin Title III-E	Caregiver Services Title III-E	Total Homecare	Total Title V-VII	<b>Subtotal Contracts</b>
<b>Revenues</b>														
Federal grant	\$ 26,158	\$ 146,005	\$ 25,582	\$ 17,527	\$ 248,153	\$ 11,059	\$ 109,077	\$ 723,286	\$ 14,853	\$ 11,304	\$ 116,667	\$ -	\$ 230,702	\$ 1,680,373
State grant	5,151	151,459	10,332	7,146	94,095	3,813	125,897	-	2,010	1,479	17,500	461,701	3,080	883,663
Local	-	225,019	-	-	166,874	-	58,388	-	175	-	-	-	40,602	491,058
Other	-	-	-	-	706	-	-	-	-	-	-	-	-	706
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	2,196	-	2,196
Local funds applied	2,416	10,286	1,879	2,310	22,203	1,613	3,554	40	639	2,111	42,713	44,151	10,661	144,576
<b>Total revenues</b>	<b>33,725</b>	<b>532,769</b>	<b>37,793</b>	<b>26,983</b>	<b>532,031</b>	<b>16,485</b>	<b>296,916</b>	<b>723,326</b>	<b>17,677</b>	<b>14,894</b>	<b>176,880</b>	<b>508,048</b>	<b>285,045</b>	<b>3,202,572</b>
<b>Expenses</b>														
Salaries	11,921	74,485	15,387	10,849	27,264	6,558	10,564	37,864	4,926	6,145	35,471	181,133	194,188	616,755
Fringe benefits	8,628	63,532	11,081	8,349	11,732	4,716	11,259	24,717	3,910	4,593	25,492	148,128	32,060	358,197
Staff travel	1,830	3,582	1,801	-	2,036	-	49	1,430	308	-	263	30,833	1,034	43,166
Subgrantees	-	320,111	-	-	285,091	-	168,369	310,848	369	-	-	-	40,602	1,125,390
Other costs	4,315	23,839	468	1,364	192,418	1,353	99,209	327,056	5,141	482	94,797	35,304	1,904	787,650
<b>Total direct cost</b>	<b>26,694</b>	<b>485,549</b>	<b>28,737</b>	<b>20,562</b>	<b>518,541</b>	<b>12,627</b>	<b>289,450</b>	<b>701,915</b>	<b>14,654</b>	<b>11,220</b>	<b>156,023</b>	<b>395,398</b>	<b>269,788</b>	<b>2,931,158</b>
Shared costs	7,031	47,220	9,056	6,421	13,490	3,858	7,466	21,411	3,023	3,674	20,857	112,650	15,257	271,414
<b>Total expenses</b>	<b>33,725</b>	<b>532,769</b>	<b>37,793</b>	<b>26,983</b>	<b>532,031</b>	<b>16,485</b>	<b>296,916</b>	<b>723,326</b>	<b>17,677</b>	<b>14,894</b>	<b>176,880</b>	<b>508,048</b>	<b>285,045</b>	<b>3,202,572</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
AREA AGENCY ON AGING (CONTINUED)  
for the year ended June 30, 2023**

	KY LTC Ombudsman	Medicaid ADRC	CDC ADRC	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	NSIP	SHIP	Subtotal Contracts	Total Area Agency on Aging
<b>Revenues</b>										
Federal grant	\$ -	\$ 36,000	\$ 31,106	\$ 13,726	\$ 8,885	\$ 3,518	\$ 74,488	\$ 27,577	\$ 195,300	\$ 1,875,673
State grant	33,005	11,000	-	-	-	-	-	-	44,005	927,668
Local	-	-	-	-	-	-	-	-	-	491,058
Other	-	-	-	-	-	-	-	-	-	706
Interest on advance	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	2,196
Local funds applied	5,073	26,497	-	341	501	272	-	3,445	36,129	180,705
<b>Total revenues</b>	<b>38,078</b>	<b>73,497</b>	<b>31,106</b>	<b>14,067</b>	<b>9,386</b>	<b>3,790</b>	<b>74,488</b>	<b>31,022</b>	<b>275,434</b>	<b>3,478,006</b>
<b>Expenses</b>										
Salaries	16,477	31,978	-	6,103	4,049	1,655	-	13,483	73,745	690,500
Fringe benefits	11,415	22,227	-	4,378	2,944	1,169	-	9,528	51,661	409,858
Staff travel	-	230	-	-	-	-	-	58	288	43,454
Subgrantees	-	-	-	-	-	-	34,515	-	34,515	1,159,905
Other costs	643	517	31,106	-	-	-	39,973	80	72,319	859,969
<b>Total direct cost</b>	<b>28,535</b>	<b>54,952</b>	<b>31,106</b>	<b>10,481</b>	<b>6,993</b>	<b>2,824</b>	<b>74,488</b>	<b>23,149</b>	<b>232,528</b>	<b>3,163,686</b>
Shared costs	9,543	18,545	-	3,586	2,393	966	-	7,873	42,906	314,320
<b>Total expenses</b>	<b>38,078</b>	<b>73,497</b>	<b>31,106</b>	<b>14,067</b>	<b>9,386</b>	<b>3,790</b>	<b>74,488</b>	<b>31,022</b>	<b>275,434</b>	<b>3,478,006</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
HOMECARE  
for the year ended June 30, 2023**

	Admin	Assessment	Case Management	Social Services	<b>Total Homecare</b>
<b>Revenues</b>					
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	34,870	11,500	143,114	272,217	461,701
Local	-	-	-	-	-
Other	-	-	-	-	-
Interest on advance	-	-	-	-	-
Program income	-	-	2,196	-	2,196
Local funds applied	2,614	683	513	40,341	44,151
<b>Total revenues</b>	<b>37,484</b>	<b>12,183</b>	<b>145,823</b>	<b>312,558</b>	<b>508,048</b>
<b>Expenses</b>					
Salaries	13,196	4,972	50,065	112,900	181,133
Fringe benefits	10,900	3,654	36,426	97,148	148,128
Staff travel	-	606	1,786	28,441	30,833
Subgrantees	-	-	-	-	-
Other costs	5,144	-	27,955	2,205	35,304
<b>Total direct cost</b>	<b>29,240</b>	<b>9,232</b>	<b>116,232</b>	<b>240,694</b>	<b>395,398</b>
Shared costs	8,244	2,951	29,591	71,864	112,650
<b>Total expenses</b>	<b>37,484</b>	<b>12,183</b>	<b>145,823</b>	<b>312,558</b>	<b>508,048</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**TITLE V and VII**  
**for the year ended June 30, 2023**

	Title V			Total Title V	Title VII			Total Title VII	Schedule Total
	Admin	Enrollees	Other		Elder Abuse	Ombuds- man	Ombuds- man ARPA		
<b>Revenues</b>									
Federal grant	\$ 19,096	\$ 177,376	\$ 27,799	\$ 224,271	\$ 2,281	\$ 3,150	\$ 1,000	\$ 6,431	\$ 230,702
State grant	-	-	-	-	423	2,657	-	3,080	3,080
Local	-	-	40,602	40,602	-	-	-	-	40,602
Other	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Local funds applied	839	4,281	1,442	6,562	3,693	406	-	4,099	10,661
<b>Total revenues</b>	<u>19,935</u>	<u>181,657</u>	<u>69,843</u>	<u>271,435</u>	<u>6,397</u>	<u>6,213</u>	<u>1,000</u>	<u>13,610</u>	<u>285,045</u>
<b>Expenses</b>									
Salaries	8,448	168,492	11,541	188,481	2,712	2,580	415	5,707	194,188
Fringe benefits	6,020	13,165	8,442	27,627	2,054	2,049	330	4,433	32,060
Staff travel	399	-	635	1,034	-	-	-	-	1,034
Subgrantees	-	-	40,602	40,602	-	-	-	-	40,602
Other costs	118	-	1,786	1,904	-	-	-	-	1,904
<b>Total direct cost</b>	<u>14,985</u>	<u>181,657</u>	<u>63,006</u>	<u>259,648</u>	<u>4,766</u>	<u>4,629</u>	<u>745</u>	<u>10,140</u>	<u>269,788</u>
<b>Shared costs</b>	<u>4,950</u>	<u>-</u>	<u>6,837</u>	<u>11,787</u>	<u>1,631</u>	<u>1,584</u>	<u>255</u>	<u>3,470</u>	<u>15,257</u>
<b>Total expenses</b>	<u>19,935</u>	<u>181,657</u>	<u>69,843</u>	<u>271,435</u>	<u>6,397</u>	<u>6,213</u>	<u>1,000</u>	<u>13,610</u>	<u>285,045</u>
<b>Revenue over expenses</b>	<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, 2023**

	Elder Abuse Grants	Elder Abuse Council	Senior Games	BRIC Public Health Project	Lee Co. Special Project	<b>Total Other Aging</b>
<b>Revenues</b>						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	126,500	-	-	-	-	126,500
Local	-	-	-	-	-	-
Other	-	9,210	8,088	-	49	17,347
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	-	-	-	812	-	812
<b>Total revenues</b>	<u>126,500</u>	<u>9,210</u>	<u>8,088</u>	<u>812</u>	<u>49</u>	<u>144,659</u>
<b>Expenses</b>						
Salaries	556	-	-	249	-	805
Fringe benefits	377	-	-	356	-	733
Staff travel	-	-	-	-	-	-
Subgrantees	-	-	-	-	-	-
Other costs	114,999	9,210	8,088	-	49	132,346
<b>Total direct cost</b>	<u>115,932</u>	<u>9,210</u>	<u>8,088</u>	<u>605</u>	<u>49</u>	<u>133,884</u>
Shared costs	319	-	-	207	-	526
<b>Total expenses</b>	<u>116,251</u>	<u>9,210</u>	<u>8,088</u>	<u>812</u>	<u>49</u>	<u>134,410</u>
<b>Revenue over expenses</b>	<u>\$ 10,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,249</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
PARTICIPANT DIRECTED SERVICES (PDS)  
for the year ended June 30, 2023**

	HCB Fin. Mgmt.	HCB Support Brok.	Durable Goods	<b>Total PDS</b>
<b>Revenues</b>				
Federal grant	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-
Local	702,653	713,224	89,635	1,505,512
Other	-	-	-	-
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	162,857	5,040	167,897
Total revenues	<u>702,653</u>	<u>876,081</u>	<u>94,675</u>	<u>1,673,409</u>
<b>Expenses</b>				
Salaries	169,241	383,362	-	552,603
Fringe benefits	118,186	255,477	-	373,663
Staff travel	-	11,873	-	11,873
Subgrantees	-	-	-	-
Other costs	3,871	6,801	94,675	105,347
Total direct cost	291,298	657,513	94,675	1,043,486
Shared costs	98,338	218,568	-	316,906
Total expenses	<u>389,636</u>	<u>876,081</u>	<u>94,675</u>	<u>1,360,392</u>
<b>Revenue over expenses</b>	<u>\$ 313,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,017</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
OTHER GRANTS AND PERFORMANCE CONTRACTS  
for the year ended June 30, 2023**

	Transportation Planning	Transportation Road Updates	FEMA	Brownfields	ACL Grant 2022 Senior Center Flood	Senior Flood Donation Fund 2022	Disaster Relief 2022	Misc. Performance Contracts	Total
<b>Revenues</b>									
Federal	\$ -	\$ -	\$ -	\$ 58,457	\$ -	\$ -	\$ -	\$ -	\$ 58,457
State	84,704	3,395	-	-	58,186	-	-	66,000	212,285
Local	-	-	-	-	-	-	-	-	-
Other	-	-	15,903	-	-	14,431	5,703	162,921	198,958
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Applied to programs	28,619	120	-	-	-	370	-	-	29,109
<b>Total revenues</b>	<b>113,323</b>	<b>3,515</b>	<b>15,903</b>	<b>58,457</b>	<b>58,186</b>	<b>14,801</b>	<b>5,703</b>	<b>228,921</b>	<b>498,809</b>
<b>Expenses</b>									
Salaries	43,308	1,537	7,807	2,757	-	-	1,253	57,511	114,173
Employee benefits	35,603	1,044	3,769	2,426	-	-	879	38,033	81,754
Travel	5,434	51	366	300	-	-	-	5,187	11,338
Subgrantees	-	-	-	-	-	-	2,842	-	2,842
Other costs	1,980	-	-	51,201	58,186	14,801	-	3,831	129,999
<b>Total direct cost</b>	<b>86,325</b>	<b>2,632</b>	<b>11,942</b>	<b>56,684</b>	<b>58,186</b>	<b>14,801</b>	<b>4,974</b>	<b>104,562</b>	<b>340,106</b>
Shared costs	26,998	883	3,961	1,773	-	-	729	32,687	67,031
<b>Total expenses</b>	<b>113,323</b>	<b>3,515</b>	<b>15,903</b>	<b>58,457</b>	<b>58,186</b>	<b>14,801</b>	<b>5,703</b>	<b>137,249</b>	<b>407,137</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,672</b>	<b>\$ 91,672</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
TITLE III DETAIL  
for the year ended June 30, 2023**

	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	Expanded Senior Meals Program	Preventative Health Title III-D	Admin Caregiver Services Title III-E	Caregiver Services Title III-E	Caregiver Services ARPA III-E
<b>Revenues</b>												
Federal grant	\$ 26,158	\$ 146,005	\$ 25,582	\$ 17,527	\$ 248,153	\$ 11,059	\$ 109,077	\$ 723,286	\$ 14,853	\$ 11,304	\$ 109,075	\$ 7,592
State grant	5,151	151,459	10,332	7,146	94,095	3,813	125,897	-	2,010	1,479	17,500	-
Local	-	225,019	-	-	166,874	-	58,388	-	175	-	-	-
Other	-	-	-	-	706	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	2,416	10,286	1,879	2,310	22,203	1,613	3,554	40	639	2,111	42,713	-
<b>Total revenues</b>	<b>33,725</b>	<b>532,769</b>	<b>37,793</b>	<b>26,983</b>	<b>532,031</b>	<b>16,485</b>	<b>296,916</b>	<b>723,326</b>	<b>17,677</b>	<b>14,894</b>	<b>169,288</b>	<b>7,592</b>
<b>Expenses</b>												
Salaries	11,921	74,485	15,387	10,849	27,264	6,558	10,564	37,864	4,926	6,145	35,471	-
Fringe benefits	8,628	63,532	11,081	8,349	11,732	4,716	11,259	24,717	3,910	4,593	25,492	-
Staff travel	1,830	3,582	1,801	-	2,036	-	49	1,430	308	-	263	-
Subgrantees	-	320,111	-	-	285,091	-	168,369	310,848	369	-	-	-
Other costs	4,315	23,839	468	1,364	192,418	1,353	99,209	327,056	5,141	482	87,205	7,592
<b>Total direct cost</b>	<b>26,694</b>	<b>485,549</b>	<b>28,737</b>	<b>20,562</b>	<b>518,541</b>	<b>12,627</b>	<b>289,450</b>	<b>701,915</b>	<b>14,654</b>	<b>11,220</b>	<b>148,431</b>	<b>7,592</b>
Shared costs	7,031	47,220	9,056	6,421	13,490	3,858	7,466	21,411	3,023	3,674	20,857	-
<b>Total expenses</b>	<b>33,725</b>	<b>532,769</b>	<b>37,793</b>	<b>26,983</b>	<b>532,031</b>	<b>16,485</b>	<b>296,916</b>	<b>723,326</b>	<b>17,677</b>	<b>14,894</b>	<b>169,288</b>	<b>7,592</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**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, 2023, 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 11, 2023.

**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 11, 2023



**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, 2023. 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, 2023.

***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 11, 2023



**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended June 30, 2023**

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-C53-22	1/1/22-12/31/22	\$ -	\$ 73,896
ARC Planning	23.009	KY-702-I-C54-23	1/1/23-12/31/23	-	74,912
Total Appalachian Regional Commission				-	148,808
U.S. Department of Commerce					
Economic Development Administration					
Passed through State (DLG) (Note 1)					
JFA - Community and Economic Assistance	11.302	PON2 112 2200004723 1	7/1/22-6/30/23	-	66,667
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) (Note 1)					
JFA - CDBG	14.228	PON2 112 2200004723 1	7/1/22-6/30/23	-	16,414
U.S. Environmental Protection Administration					
Direct Award					
Brownfields Assessment and Cleanup	66.818	01D11720	10/1/20-9/30/23	-	58,457
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	PON3 725 2200000036 1	7/1/22-6/30/24	92,998	177,997
CDC ADRC	93.044	PON3 725 2200000036 1	7/1/22-6/30/24	-	31,106
Title III C1 Congregate Meals	93.045	PON3 725 2200000036 1	7/1/22-6/30/24	164,439	275,605
Title III C2 Home Delivered Meals	93.045	PON3 725 2200000036 1	7/1/22-6/30/24	104,661	124,624
NSIP	93.053	PON2 725 2100003024 2	10/1/21-9/30/22	-	15,134
NSIP	93.053	PON3 725 2200000038 1	10/1/22-9/30/23	-	59,354
Total aging cluster				362,098	683,820
Title VII Elder Abuse	93.041	PON3 725 2200000019 1	7/1/22-6/30/24	-	2,281
Title VII Ombudsman	93.042	PON3 725 2200000019 1	7/1/22-6/30/24	-	4,150
Title III D Preventative Health	93.043	PON3 725 2200000036 1	7/1/22-6/30/24	194	15,408
Title III E Caregiver	93.052	PON3 725 2200000036 1	7/1/22-6/30/24	-	132,752
MIPPA SHIP	93.071	PON3 725 2200000037 1	9/1/22-8/31/23	-	13,726
MIPPA AAA	93.071	PON2 725 2100003015 2	9/1/21-8/31/22	-	986
MIPPA AAA	93.071	PON3 725 2200000037 1	9/1/22-8/31/23	-	7,899
MIPPA ADRC	93.071	PON2 725 2100003015 2	9/1/21-8/31/22	-	57
MIPPA ADRC	93.071	PON3 725 2200000037 1	9/1/22-8/31/23	-	3,461
CMS SHIP	93.324	PON3 725 2200000040 1	7/1/22-6/30/24	-	27,577
Medicaid ADRC	93.778	PON3 725 2200000065 1	7/1/22-6/30/24	-	36,000
Total Health and Human Services				362,292	928,117
U.S. Department of Labor (DOL)					
Passed through State (CHFS/DAIL)					
Title V SCSEP	17.235	PON3 725 2200000035 1	7/1/22-6/30/24	-	224,270
U.S. Department of the Treasury					
Passed through State (CHFS/DAIL) (Note 2)					
COVID-19 - Expanded Senior Meals Program	21.027	PON3 725 2200000036 1	7/1/22-6/30/24	167,714	723,286
Total federal expenditures				\$ 530,006	\$ 2,166,019

**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, 2023**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified \_\_Yes XNo  
 Significant deficiencies identified that are not  
 considered to be material weaknesses \_\_Yes XNone reported

Non-compliance material to financial statements noted \_\_Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified \_\_Yes XNo  
 Significant deficiencies identified that are not  
 considered to be material weaknesses \_\_Yes XNone 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 XNo

**Major Programs:**

<b>AL Number</b>	<b>Name of Federal Program or Cluster</b>
21.027	Coronavirus State and Local Fiscal Recovery Funds (COVID-19 – Expanded Senior Meals Program)

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

Auditee qualified as a low risk auditee? XYes \_\_\_No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**IV. PRIOR AUDIT FINDINGS**

NONE