

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

**FINANCIAL STATEMENTS
June 30, 2021**

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet-Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds.....	9
Notes to Financial Statements	10-24
Required Supplementary Information	
Budgetary Comparison	25
Proportionate Share of the Net Pension Liability	26
Pension Contributions	27
Proportionate Share of the Net OPEB Liability	28
OPEB Contributions	29
Notes to Required Supplementary Information	30-31
Supplementary Information	
Cost Allocation Policy	32-33
Schedule of Shared Costs	34
Statements of Operations by Program.....	35-44
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 <i>Government Auditing Standards</i>	45-46
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	47-48
Schedule of Expenditures of Federal Awards.....	49
Schedule of Findings and Questioned Costs.....	50



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentucky River Area Development District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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 Kentucky River Area Development District, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, the schedule of proportionate share of the net pension liability and the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability and the schedule of OPEB contributions on pages 3-5 and 25-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021 on our consideration of Kentucky River Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 effectiveness of Kentucky River Area Development 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 Kentucky River Area Development District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 2, 2021

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

The discussion and analysis provides an overview of Kentucky River Area Development District's financial performance during the fiscal years 2021 and 2020. Please read the following in conjunction with the District's audited financial statements.

OVERVIEW OF THE ANNUAL REPORT

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

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE DISTRICT

The condensed statement of net position reveals that 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 2021 decreased by \$322,337 primarily due to the effect of GASB 68 and GASB 75. The current year increase in the net pension liability totaled \$350,043. The current year increase in the net OPEB liability totaled \$394,212.

Condensed Statement of Net Position

	<u>FY 2021</u>	<u>FY 2020</u>
Current Assets	\$ 2,521,988	\$ 2,290,430
Other Assets	2,071,919	2,274,426
Deferred Outflows of Resources	<u>1,263,760</u>	<u>1,157,499</u>
Total Assets & Deferred Outflows	<u>\$ 5,857,667</u>	<u>\$ 5,722,355</u>
Current Liabilities	\$ 441,947	\$ 424,232
Long-term Liabilities	6,929,007	6,196,048
Deferred Inflows of Resources	465,993	770,269
Net Position		
Net investment in capital assets	237,320	485,487
Unrestricted	<u>(2,216,600)</u>	<u>(2,153,681)</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 5,857,667</u>	<u>\$ 5,722,355</u>

The statement of activities provides a more detailed look at the nature of these changes. The District incurred a loss of (\$322,337) for the year ended June 30, 2021, compared to a loss of (\$388,441) in 2020. Revenues increased as did expenses. The increase in revenue was \$320,737, while the increase in expenses totaled \$219,022.

Statement of Activities

	<u>FY 2021</u>	<u>FY 2020</u>
Revenues		
Charges for service	\$ 1,818,249	\$ 1,875,700
Operating grants and contributions	2,900,264	2,499,223
General revenue	<u>119,829</u>	<u>142,682</u>
Total Revenues	<u>4,838,342</u>	<u>4,517,605</u>
Operating Expenses		
General government	398,853	414,162
Community/economic development	638,139	490,866
Aging and independent living services	3,721,149	3,660,805
Other services	323,788	298,361
Interest	<u>43,139</u>	<u>41,852</u>
Total Expenses	<u>5,125,068</u>	<u>4,906,046</u>
(Loss) on sale of building	<u>(35,611)</u>	<u>-</u>
Change in Net Position	(322,337)	(388,441)
Net Position – Beginning of the Year	(1,668,194)	(1,249,777)
Adjustments for deferred income, A/R, & write-offs	<u>11,251</u>	<u>(29,976)</u>
Net Position – End of Year	<u>\$ (1,979,280)</u>	<u>\$ (1,668,194)</u>

CAPITAL ASSETS

The District invested \$97,135 in capital assets for fiscal year 2021. This amount primarily includes the purchase of computer equipment and a conference room renovation. Accumulated depreciation increased \$104,832 prior to the sale of a building, which caused a net decrease in accumulated depreciation of \$153,497. The net investment in capital assets at the end of fiscal year 2021 totaled \$237,320 (assets less related debt).

	Balance June 30, 2019	FY 2020 Additions	FY 2020 Disposals	Balance June 30, 2020	FY 2021 Additions	FY 2021 Disposals	Balance June 30, 2021
Property & Equipment	\$ 2,577,022	\$ 96,926	\$ 0	\$ 2,673,948	\$ 97,135	\$ (518,940)	\$ 2,252,143
Accumulated Depreciation	<u>(639,156)</u>	<u>(112,513)</u>	<u>0</u>	<u>(751,669)</u>	<u>(104,832)</u>	<u>258,329</u>	<u>(598,172)</u>
NET	<u>\$ 1,937,866</u>	<u>\$ (15,587)</u>	<u>\$ 0</u>	<u>\$ 1,922,279</u>	<u>\$ (7,697)</u>	<u>\$ (260,611)</u>	<u>\$ 1,653,971</u>

DEBT

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

	Balance June 30, 2019	FY 2020 Additions	FY 2020 Payments	Balance June 30, 2020	FY 2021 Additions	FY 2021 Payments	Balance June 30, 2021
RD Note (Rural Development)	\$ 1,458,228	\$ 0	\$ (21,436)	\$ 1,436,792	\$ 0	\$ (20,141)	\$ 1,416,651

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2022 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2022, 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, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,823,339
Accounts receivable	
Federal, state and local grants	573,464
Miscellaneous	899
Related party	119,997
Prepaid expenses	<u>4,289</u>
Total current assets	<u>2,521,988</u>
Noncurrent assets	
Restricted cash and cash equivalents	63,540
Certificates of deposit	354,408
Property and equipment, net	<u>1,653,971</u>
Total noncurrent assets	<u>2,071,919</u>
Total assets	<u>4,593,907</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	664,584
Deferred outflows - OPEB	<u>599,176</u>
Total deferred outflows of resources	<u>1,263,760</u>
Total assets and deferred outflows of resources	<u>\$ 5,857,667</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 165,852
Retainage payable	6,875
Accrued expenses	135,587
Unearned grant revenue	90,367
Accrued interest	20,334
Current portion of debt	<u>22,932</u>
Total current liabilities	<u>441,947</u>
Long-term liabilities	
Accrued annual leave	141,903
Long-term portion of debt	1,393,719
Net pension liability	4,102,102
Net OPEB liability	<u>1,291,283</u>
Total long-term liabilities	<u>6,929,007</u>
Total liabilities	<u>7,370,954</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	157,960
Deferred inflows - OPEB	<u>308,033</u>
Total deferred inflows of resources	<u>465,993</u>

NET POSITION

Net investment in capital assets	237,320
Unrestricted	<u>(2,216,600)</u>
Total net position	<u>(1,979,280)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,857,667</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, 2021

<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>	
Primary government:						
Governmental activities						
General government	\$ 398,853	\$ -	\$ -	\$ 42,474	\$ -	\$ (356,379)
Community/Economic development	481,653	156,486	-	550,310	-	(87,829)
Aging and independent living services	3,203,431	517,718	1,558,526	2,091,639	-	(70,984)
Other services	263,141	60,647	259,723	215,841	-	151,776
Interest on long-term debt	43,139	-	-	-	-	(43,139)
Total primary government	<u>\$ 4,390,217</u>	<u>\$ 734,851</u>	<u>\$ 1,818,249</u>	<u>\$ 2,900,264</u>	<u>\$ -</u>	<u>(406,555)</u>
				General revenues:		
				Member dues		88,616
				Rental income		19,000
				Interest and other		<u>12,213</u>
				Total general revenues		119,829
				(Loss) on sale of building		<u>(35,611)</u>
				Change in Net Position		(322,337)
				Net position adjustments relating to prior years activity		11,251
				Net position-beginning		<u>(1,668,194)</u>
				NET POSITION-ENDING		<u>\$ (1,979,280)</u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Current assets			
Cash - unrestricted	\$ 947,446	\$ 875,893	\$ 1,823,339
Cash - restricted	63,540	-	63,540
Certificates of deposit	354,408	-	354,408
Accounts receivable, net	899	573,464	574,363
Accounts receivable, related party	-	119,997	119,997
Prepaid expense	-	4,289	4,289
Total assets	<u>\$ 1,366,293</u>	<u>\$ 1,573,643</u>	<u>\$ 2,939,936</u>
LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	\$ -	\$ 165,852	\$ 165,852
Retainage payable	-	6,875	6,875
Accrued liabilities	-	135,587	135,587
Unearned grant revenue	-	90,367	90,367
Total liabilities	<u>-</u>	<u>398,681</u>	<u>398,681</u>
Fund balance			
Nonspendable	-	4,289	4,289
Restricted	63,540	1,170,673	1,234,213
Unassigned	1,302,753	-	1,302,753
Total fund balance	<u>1,366,293</u>	<u>1,174,962</u>	<u>2,541,255</u>
Total liabilities and fund balance	<u>\$ 1,366,293</u>	<u>\$ 1,573,643</u>	<u>\$ 2,939,936</u>
Total government fund balance			\$ 2,541,255
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			1,653,971
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			<u>(6,174,506)</u>
Net position of governmental activities			<u>\$ (1,979,280)</u>

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, 2021

	General Fund	Special Revenue Fund	Total Government Funds
REVENUES			
Federal	\$ 42,474	\$ 1,901,651	\$ 1,944,125
State	-	956,139	956,139
Local / service fees (includes in-kind and program income)	344,829	1,829,500	2,174,329
Total revenues	387,303	4,687,290	5,074,593
EXPENDITURES			
Current			
General government	55,649	-	55,649
Community/Economic Development	-	623,854	623,854
Aging and Independent Living Services	-	3,637,850	3,637,850
Other services	-	316,540	316,540
Capital outlay	97,135	-	97,135
Debt service	63,600	-	63,600
Total expenditures	216,384	4,578,244	4,794,628
Excess of revenues over (under) expenditures	170,919	109,046	279,965
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	103,813	(103,813)	-
Net change in fund balance	274,732	5,233	279,965
Fund balance - beginning	1,091,561	1,169,729	2,261,290
FUND BALANCE - END OF YEAR	\$ 1,366,293	\$ 1,174,962	\$ 2,541,255
Net change in fund balance - total governmental funds			\$ 279,965
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			97,135
Depreciation expense			(104,832)
Proceeds from sale of capital assets			(225,000)
Loss on disposal of asset			(35,611)
Net position adjustments relating to prior year activity			(11,251)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position			20,141
Change in accrued interest payable			320
Change in accrued annual leave			(9,486)
Change in the net pension and OPEB liabilities and related deferred inflows and outflows			(333,718)
Change in net position of governmental activities			\$ (322,337)

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The following is a summary of the basis of presentation:

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

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

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

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement (Continued)

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

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

The District has the following funds:

Government Fund Types

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

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

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

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

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance:

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

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

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

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

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

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

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

Compensated Absences - Employees of the District accrue sick leave at the rate of one day per month. Part-time employees earn sick leave on a pro rata basis as determined by the Executive Director. There is no limit as to the amount of sick leave that may be accrued; however, sick leave is forfeited upon termination of employment. The District will pay into the retirement system an amount equal to six months of the employers' contribution based upon the amount of sick leave the employee has accumulated, toward retirement credit of the employee. Annual leave earned is based on seniority at the rates of twelve to twenty-one days per year and can be carried forward from one year to the next. A maximum of sixty days may be carried forward. All days in excess of sixty that are forfeited are converted to sick leave at the end of the year. The accrued liability for accumulated annual leave reported on the statement of net position at June 30, 2021 is \$141,903.

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.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets - Property and equipment includes furniture, office equipment, vehicles, leasehold improvements, land and buildings. Depreciation expense is calculated on the straight-line basis. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan.

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

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

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

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

Income Taxes - The District is a non-profit organization incorporated November 12, 1974 and is exempt from income taxes under Internal Revenue Code, 501(c)(3) as determined by the IRS in a determination letter dated October 27, 1989. The District is generally no longer subject to income tax examinations by tax authorities for years before 2018.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through December 2, 2021, 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, 2021, 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, 2021

2. CASH AND INVESTMENTS (CONTINUED)

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

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

The District's cash and investment balances were not fully covered by FDIC insurance or collateralized by the holding institution with an irrevocable, unconditional and non-transferable letter of credit that is effective from July 17, 2020 to July 16, 2021, and further detailed as of June 30, 2021:

Total cash and certificates of deposit	\$ 2,383,326
FDIC Insurance	(604,408)
Collateralized by letter of credit held in District's name	<u>(1,500,000)</u>
(Over) under collateralized	<u>\$ 278,918</u>

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consist of the following at June 30, 2021:

2017 Local projects	\$ 63,168
2018 Local projects	4,624
2019 Local projects	1,658
2020 Local projects	1,553
2021 Local projects	92,496
Aging	194,055
KYTC	17,537
GOLD	47,218
JFA	53,996
PDS	<u>97,159</u>
Total grant receivable	<u>\$ 573,464</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 \$104,832 for the year ended June 30, 2021. The following summarizes the changes in capital assets during the year ended June 30, 2021:

	6/30/2020			6/30/2021
	Balance	Additions	Disposals	Balance
Construction in progress, not depreciated	\$ -	\$ 69,088	\$ -	\$ 69,088
Building and equipment	2,673,948	28,047	(518,940)	2,183,055
Accumulated depreciation	<u>(751,669)</u>	<u>(104,832)</u>	<u>258,329</u>	<u>(598,172)</u>
Net	<u>\$ 1,922,279</u>	<u>\$ (7,697)</u>	<u>\$ (260,611)</u>	<u>\$ 1,653,971</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

5. UNEARNED GRANT REVENUE

At June 30, 2021, unearned grant revenue includes revenues received, but not earned. For the District, those programs are as follows:

Grant Name	
KOHS Tower project	\$ 2,497
Brownfields	1,605
Data collection	1,260
Senior games	10,601
RAM Event	2,736
Elder Abuse grant	732
Elder Abuse Council	6,691
Kentucky Caregiver	72
NSIP	1,797
TBI	44
Aging Community Project	7,431
Lee Co. Senior Center Project	7,710
Wolfe Co. Senior Center Project	720
Letcher Co. Senior Center Project	624
Local dues – total	438
Community Events Fund	1,081
United Way EFSP Fund	11,966
Booneville Fish Creek Loop	9,500
Breathitt Elkview	5,000
Beattyville Prison Sewer	2,304
Appalachia Rise Rehab Fund Grant	6,816
Booneville Water Rehab Project Phase I	<u>8,742</u>
Total	<u>\$ 90,367</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, 2021 totaled \$43,139. The following is an amortization of future maturities:

June 30,	Principal	Interest	Total
2022	\$ 22,932	\$ 40,668	\$ 63,600
2023	23,591	40,009	63,600
2024	24,269	39,331	63,600
2025	24,966	38,634	63,600
2026	25,684	37,916	63,600
2027-2031	139,922	178,078	318,000
2032-2036	161,218	156,782	318,000
2037-2041	185,756	132,244	318,000
2042-2046	214,030	103,970	318,000
2047-2051	246,609	71,391	318,000
2052-2056	284,149	33,851	318,000
2057	<u>63,525</u>	<u>2,224</u>	<u>65,749</u>
Totals	<u>\$ 1,416,651</u>	<u>\$ 875,098</u>	<u>\$ 2,291,749</u>

Change in long-term liabilities is as follows:

	6/30/2020	Additions	Payments	6/30/2021
Accrued leave	\$ 132,417	\$ 73,324	\$ (63,838)	\$ 141,903
Net pension liability	3,752,059	622,359	(272,316)	4,102,102
Net OPEB liability	897,071	461,374	(67,162)	1,291,283
Debt	<u>1,436,792</u>	<u>-</u>	<u>(20,141)</u>	<u>1,416,651</u>
Total	<u>\$ 6,218,339</u>	<u>\$ 1,157,057</u>	<u>\$ (423,457)</u>	<u>\$ 6,951,939</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. LEASES

The District entered into an operating lease for a copier on April 27, 2017. The terms of the lease required 48 monthly payments in the amount of \$263 totaling \$12,624. The district paid \$2,367 during the year ended June 30, 2021. The lease ended on March 27, 2021.

The District entered into an operating lease for a copier on October 24, 2018. The term of the lease requires 48 monthly payments in the amount of \$368 totaling \$17,664. The district paid \$4,416 during the year ended June 30, 2021.

The District entered into an operating lease for a copier on December 2, 2020. The term of the lease requires 48 monthly payments in the amount of \$368 totaling \$17,664. The district paid \$2,576 during the year ended June 30, 2021.

The District entered into an operating lease for a copier on May 10, 2021. The term of the lease requires 48 monthly payments in the amount of \$254 totaling \$12,192. The district paid \$254 during the year ended June 30, 2021.

Additionally, the District also leases small equipment on an as-needed basis for short periods of time. Total lease expense for the year ended June 30, 2021 was \$19,458.

At June 30, 2021, the future lease payments required under operating leases are as follows:

2022	\$ 8,936
2023	\$ 7,464
2024	\$ 7,464
2025	\$ 4,634

8. PENSION PLAN

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

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

Contributions – For the year ended June 30, 2021, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2021, participating employers contributed 24.06% of each employee's wages, for non-hazardous job classifications.

The contributions are allocated 19.30% to the pension trust and 4.76% to the insurance trust. The insurance trust is more fully described in Note 9. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. PENSION PLAN (CONTINUED)

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

The District contributed \$339,478 for the year ended June 30, 2021, or 100% of the required contribution. The contribution was allocated \$272,316 to the CERS pension fund and \$67,162 to the CERS insurance fund.

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

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

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the District reported a liability of \$4,102,102 based upon its proportionate share of the total pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the District's proportion was .0535 percent, which was an increase of 0.0001 percent from its proportion measured at June 30, 2019.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the District recognized pension expense of \$572,086. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 102,293	\$ -
Changes of assumptions	160,180	-
Net difference between projected and actual earnings on Plan investments	102,650	-
Changes in proportion and differences between District contributions and proportionate share of contributions	27,145	157,960
District contributions subsequent to the measurement date	272,316	-
 Total	 \$ 664,584	 \$ 157,960

The \$272,316 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2022	\$ 72,978
2023	\$ 69,614
2024	\$ 50,489
2025	\$ 41,227

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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, 2019) to the plan's fiscal year ending June 30, 2020.

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

8. PENSION PLAN (CONTINUED)

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

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

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four (4) years of the projection period. The discount rate does not use a municipal bond rate.

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

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$ 5,058,784
Current discount rate	6.25%	\$ 4,102,102
1% increase	7.25%	\$ 3,309,932

Payable to the Pension Plan – At June 30, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021, respectively.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2021, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, the District contributed \$67,162, or 100% of the required contribution for non-hazardous job classifications.

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the District reported a liability for its proportionate share of the net OPEB liability of \$1,291,283. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020 was .0535 percent which was an increase of .0001 percent compared to June 30, 2019.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$158,543. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 215,746	\$ 215,915
Changes of assumptions	224,607	1,366
Net difference between projected and actual earnings on Plan investments	42,919	-
Changes in proportion and differences between District contributions and proportionate share of contributions	17,051	90,752
District contributions subsequent to the measurement date	<u>98,853</u>	<u>-</u>
 Total	 <u>\$ 599,176</u>	 <u>\$ 308,033</u>

The \$98,853 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, 2022. This includes an adjustment of \$31,691 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,	
2022	\$ 54,443
2023	\$ 67,144
2024	\$ 42,846
2025	\$ 36,571
2026	\$ (8,714)

Actuarial Assumptions – The total OPEB liability in the June 30, +2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

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

The actuarial assumptions used in the June 30, 2019 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, 2019) to the plan's fiscal year ending June 30, 2020.

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

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2021, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Discount rate	District's proportionate share of net OPEB liability
1% decrease	4.34%	\$ 1,658,919
Current discount rate	5.34%	\$ 1,291,283
1% increase	6.34%	\$ 989,331

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

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

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

	District's proportionate share of net OPEB liability
1% decrease	\$ 999,766
Current trend rate	\$ 1,291,283
1% increase	\$ 1,645,034

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, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

10. COMMITMENTS AND CONTINGENCIES

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

11. KENTUCKY RIVER MEDICAID CDO, INC.

The District provides fiscal management services to Kentucky River Medicaid CDO, Inc. Kentucky River Medicaid CDO, Inc operates the Participant Directed Services (PDS) program (formerly Consumer Directed Options) for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Kentucky River Area Development District. Waiver clients have the option to choose PDS at any time. The District serves as the fiscal agent for the client and as a support broker. As clients opt for PDS, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the PDS program funding. Funds for each district are realigned and/or increased/decreased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed, and the funds are paid to each district to reimburse the client account. The District was owed \$119,997 for the year ended June 30, 2021.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

12. PERFORMANCE CONTRACTS

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2021 the following revenues were recorded in performance contracts:

Transportation Planning	\$ 83,254
5310 Van	42,474
Transportation Road Updates	6,239
KIA	66,000
Brownfields	35,266
Chavies Wastewater Collection System	500
Jackson Lakeside Sewer/Water	5,000
East Perry Commercial Development	475
Campton Tank Replacement	21,750
Breathitt WD Waterline Extension	18,475
Hindman Sewer Rehab	1,500
Letcher Cumberland River Water	500
Chavies WW Haddock Fork	6,425
Beattyville Sewer Rehab Project	19,738
Perry Hwy 80-476 Interconnect 2020	1,792
Carr Creek Alumni Association 2020 Project	500
Jackson Waterline Replacement Project	10,000
Booneville Pump Station Rehab Project	1,000
Hazard/Perry Bike Walk KRDH 2020	10,000
Beattyville Connect AML 2020	35,782
Campton WLEP/Spring Branch 2020	30,000
Hindman Waterline Extension 2020	23,750
Vicco WWTP & Sewer Collection 2020	331
TCEA Drone Port Water/Sewer AML 2020	500
SYKES – East Perry Comm Dev Project 2020	39,375
SKYES Phase II ARC 2020	12,500
Booneville Radio Read Meter 2020	1,000
Jenkins WLR KY 805 Project 2021	20,000
Boonville I&I Reduction	<u>500</u>
Total performance contracts	<u>\$ 494,626</u>

13. COST ALLOCATION PLAN

Kentucky River Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins on page 32. The District is in conformity with 2 CFR Part 225.

14. RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
GENERAL AND SPECIAL REVENUE FUNDS
for the year ended June 30, 2021**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 1,680,246	\$ 2,065,392	\$ 1,944,125	\$ (121,267)
State funds	942,725	822,222	956,139	133,917
Local dues	88,368	88,368	88,616	248
Local service and other funds	<u>1,893,912</u>	<u>1,636,200</u>	<u>1,849,462</u>	<u>213,262</u>
 Total revenues	 <u>4,605,251</u>	 <u>4,612,182</u>	 <u>4,838,342</u>	 <u>226,160</u>
EXPENSES				
Salaries and wages	1,708,230	1,563,255	1,655,510	92,255
Employee benefits	1,044,950	979,607	1,315,570	335,963
Travel	95,000	40,000	41,896	1,896
Aging pass through to local agencies	905,795	594,958	605,986	11,028
Title V enrollees	227,413	239,838	234,904	(4,934)
Accounting	22,900	22,900	23,000	100
Supplies	511,770	706,197	674,902	(31,295)
Postage	10,000	15,000	16,814	1,814
Dues, fees and subscriptions	19,050	21,300	16,046	(5,254)
Equipment, leases and depreciation	72,900	81,750	271,843	190,093
Other costs	<u>330,243</u>	<u>347,377</u>	<u>304,208</u>	<u>(43,169)</u>
 Total expenses	 <u>4,948,251</u>	 <u>4,612,182</u>	 <u>5,160,679</u>	 <u>548,497</u>
 EXCESS (EXPENSES) OVER REVENUES	 <u>\$ (343,000)</u>	 <u>\$ -</u>	 <u>\$ (322,337)</u>	 <u>\$ (322,337)</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 Eight Fiscal Years**

Financial statement year (Measurement year)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
District's proportion of the net pension liability	0.0500%	0.0509%	0.0535%	0.0544%	0.0544%	0.0605%	0.0533%	0.0535%
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
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
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%
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%

Notes:

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

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

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 160,503	\$ 159,284	\$ 162,802	\$ 197,977	\$ 217,233	\$ 242,958	\$ 265,319	\$ 272,316
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>
Contribution deficiency (excess)	<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
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%

Notes:

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

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

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

Notes:

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

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

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 60,159	\$ 61,465	\$ 62,822	\$ 67,128	\$ 70,511	\$ 70,932	\$ 65,436	\$ 67,162
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>
Contribution deficiency (excess)	<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
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%

Notes:

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

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

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, 2020 – Pension and OPEB

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

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

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

June 30, 2019 – Pension and OPEB

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

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

June 30, 2018 – Pension and OPEB

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

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%

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

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2016 – Pension and OPEB

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

June 30, 2015 - Pension

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 - Pension

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

June 30, 2013 - Pension

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

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

SUPPLEMENTARY INFORMATION

COST ALLOCATION POLICY

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

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

Direct/Shared Costs

1. **Salary** - Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer and any employee whose time is so fragmented between elements are charged as shared costs.
2. **Employee Burden** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost is also charged as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is charged as a shared cost.
3. **Consultant Contracts and Contractual Services** - Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.
4. **Printing** - Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.
5. **Travel** - All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs for staff and board member are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.
6. **Vacation, Sick and Holiday Leave** - All leave which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as a direct cost. Any leave which is related to an employee whose salary is being charged as a shared cost is also charged as a shared cost.
7. **Audit Fees** - All audit fees are charged as a shared cost.
8. **Space Cost** - The space cost is charged as a shared cost.

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

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

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

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2021

Cost Category

Personnel compensation	\$ 207,482
Fringe benefits	131,581
Travel	761
Accounting	23,000
Supplies	69,486
Postage	16,122
Telephone and utilities	29,285
Dues, fees and subscriptions	16,945
Equipment, leases and depreciation	156,528
Other	<u>83,661</u>
 Total shared costs allocated	 <u>\$ 734,851</u>

**STATEMENTS OF OPERATIONS
BY PROGRAM**

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2021

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	PDS	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ 386,237	\$ 1,480,148	\$ -	\$ -	\$ 35,266	\$ 42,474	\$ -	\$ 1,944,125
State	164,073	611,491	-	-	180,575	-	-	956,139
Local	-	372,555	-	1,108,547	-	119,829	-	1,600,931
Other	-	67,708	9,028	-	259,723	-	-	336,459
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	688	-	-	-	-	-	688
Applied to programs	87,829	172,219	-	32,258	36,918	(329,224)	-	-
Total revenues	638,139	2,704,809	9,028	1,140,805	512,482	(166,921)	-	4,838,342
Expenses								
Salaries	273,191	677,440	-	389,228	108,169	-	207,482	1,655,510
Employee benefits	168,642	364,242	-	261,602	63,067	333,718	124,299	1,315,570
Travel	992	29,740	-	89	3,793	-	7,282	41,896
Subgrantees	-	605,225	-	-	-	-	761	605,986
Other costs	38,828	740,953	9,028	125,884	88,112	143,885	395,027	1,541,717
Total direct cost	481,653	2,417,600	9,028	776,803	263,141	477,603	734,851	5,160,679
Shared costs	156,486	287,209	-	230,509	60,647	-	(734,851)	-
Total expenses	638,139	2,704,809	9,028	1,007,312	323,788	477,603	-	5,160,679
Revenue over expenses	\$ -	\$ -	\$ -	\$ 133,493	\$ 188,694	\$ (644,524)	\$ -	\$ (322,337)

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2021**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 386,237			\$ 386,237	\$ -	
State Funds		164,073			164,073	-	
Local Funds		<u>87,829</u>			<u>87,829</u>	-	
		<u>638,139</u>			<u>638,139</u>	<u>-</u>	
Expenses							
Community & Economic Planning & Development	120	100,082	73,996	26,086	100,082	-	
Community Development Block Grant	125	49,603	36,891	12,712	49,603	-	
ARC Planning	130	305,085	233,629	71,456	305,085	-	
JFA EDA - CARES	371-54	<u>183,369</u>	<u>137,137</u>	<u>46,232</u>	<u>183,369</u>	-	
		<u>638,139</u>	<u>481,653</u>	<u>156,486</u>	<u>638,139</u>	<u>-</u>	<u>-</u>
Revenues over expenses		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2021**

	Agency Adminis- tration	Social Services Title III-B	Ombudsman Title III-B	Admin CG Meals Title III-C1	CG Meals Title III-C1	Admin HD Meals Title III-C2	HD Meals Title III-C2	Preventative Health Title III-D	Caregiver Admin Title III-E	Caregiver Services Title III-E	Total Homecare	Total Title V-VII	Subtotal Contracts
Revenues													
Federal grant	\$ 15,088	\$ 115,247	\$ 14,388	\$ 20,163	\$ 345,291	\$ 17,834	\$ 406,325	\$ 2,813	\$ 7,273	\$ 112,699	\$ -	\$ 280,024	\$ 1,337,145
State grant	5,029	13,000	3,000	6,721	37,943	3,510	67,001	2,010	1,939	17,500	408,317	1,236	567,206
Local	-	108,430	-	-	221,013	-	42,785	327	-	-	-	-	372,555
Other	-	-	-	-	52,145	-	14,987	-	-	-	576	-	67,708
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	688	-	-	-	-	-	-	-	688
Local funds applied	5,225	3,599	788	3,636	1,347	3,483	2,228	274	1,025	18,798	65,222	41,568	147,193
Total revenues	25,342	240,276	18,176	30,520	658,427	24,827	533,326	5,424	10,237	148,997	474,115	322,828	2,492,495
Expenses													
Salaries	10,063	27,189	7,563	12,917	50,382	10,415	28,494	1,151	4,421	30,342	176,513	253,972	613,422
Fringe benefits	6,353	21,696	5,180	8,188	37,282	6,486	24,502	824	2,816	19,976	143,311	42,051	318,665
Staff travel	-	365	337	-	5,174	-	274	-	-	-	23,549	41	29,740
Subgrantees	-	157,014	-	-	277,782	-	145,838	1,942	-	-	-	-	582,576
Other costs	3,112	16,698	583	1,940	256,759	1,940	315,448	808	437	80,858	17,468	3,648	699,699
Total direct cost	19,528	222,962	13,663	23,045	627,379	18,841	514,556	4,725	7,674	131,176	360,841	299,712	2,244,102
Shared costs	5,814	17,314	4,513	7,475	31,048	5,986	18,770	699	2,563	17,821	113,274	23,116	248,393
Total expenses	25,342	240,276	18,176	30,520	658,427	24,827	533,326	5,424	10,237	148,997	474,115	322,828	2,492,495
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2021**

	KY LTC Ombudsman	Medicaid ADRC	Medicaid ADRC CARES No Wrong Door	FAST	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	NSIP	SHIP	Subtotal Contracts	Total Area Agency on Aging
Revenues											
Federal grant	\$ -	\$ 11,000	\$ 27,608	\$ 1,000	\$ 9,705	\$ 3,095	\$ 5,776	\$ 61,939	\$ 22,880	\$ 143,003	\$ 1,480,148
State grant	33,285	11,000	-	-	-	-	-	-	-	44,285	611,491
Local	-	-	-	-	-	-	-	-	-	-	372,555
Other	-	-	-	-	-	-	-	-	-	-	67,708
Interest on advance	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	688
Local funds applied	5,582	74	1,654	-	2,319	1,237	150	-	14,010	25,026	172,219
Total revenues	38,867	22,074	29,262	1,000	12,024	4,332	5,926	61,939	36,890	212,314	2,704,809
Expenses											
Salaries	16,379	9,254	12,866	-	5,239	1,916	2,610	-	15,754	64,018	677,440
Fringe benefits	11,892	6,795	8,743	-	3,640	1,283	1,766	-	11,458	45,577	364,242
Staff travel	-	-	-	-	-	-	-	-	-	-	29,740
Subgrantees	-	-	-	-	-	-	-	22,649	-	22,649	605,225
Other costs	583	341	-	1,000	-	-	-	39,290	40	41,254	740,953
Total direct cost	28,854	16,390	21,609	1,000	8,879	3,199	4,376	61,939	27,252	173,498	2,417,600
Shared costs	10,013	5,684	7,653	-	3,145	1,133	1,550	-	9,638	38,816	287,209
Total expenses	38,867	22,074	29,262	1,000	12,024	4,332	5,926	61,939	36,890	212,314	2,704,809
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HOMECARE
for the year ended June 30, 2021**

	<u>Admin</u>	<u>Assessment</u>	<u>Case Management</u>	<u>Social Services</u>	<u>H.D.Meals</u>	<u>Total Homecare</u>
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	39,452	7,198	103,739	248,757	9,171	408,317
Local	-	-	-	-	-	-
Other	-	-	576	-	-	576
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	<u>15,439</u>	<u>441</u>	<u>6,151</u>	<u>43,191</u>	<u>-</u>	<u>65,222</u>
Total revenues	<u>54,891</u>	<u>7,639</u>	<u>110,466</u>	<u>291,948</u>	<u>9,171</u>	<u>474,115</u>
Expenses						
Salaries	21,001	3,156	46,520	105,836	-	176,513
Fringe benefits	16,088	2,485	33,420	91,318	-	143,311
Staff travel	-	-	44	23,505	-	23,549
Subgrantees	-	-	-	-	-	-
Other costs	<u>4,666</u>	<u>-</u>	<u>2,169</u>	<u>1,462</u>	<u>9,171</u>	<u>17,468</u>
Total direct cost	41,755	5,641	82,153	222,121	9,171	360,841
Shared costs	<u>13,136</u>	<u>1,998</u>	<u>28,313</u>	<u>69,827</u>	<u>-</u>	<u>113,274</u>
Total expenses	<u>54,891</u>	<u>7,639</u>	<u>110,466</u>	<u>291,948</u>	<u>9,171</u>	<u>474,115</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE V and VII
for the year ended June 30, 2021

	Title V			Total Title V	Title VII			Total Title VII	Schedule Total
	Admin	Enrollees	Other		Elder Abuse	Ombuds- man	Ombuds- man CARES		
Revenues									
Federal grant	\$ 20,073	\$ 223,418	\$ 24,673	\$ 268,164	\$ 2,351	\$ 2,367	\$ 7,142	\$ 11,860	\$ 280,024
State grant	-	-	-	-	423	813	-	1,236	1,236
Local	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Local funds applied	<u>8,065</u>	<u>7,336</u>	<u>22,616</u>	<u>38,017</u>	<u>2,976</u>	<u>575</u>	<u>-</u>	<u>3,551</u>	<u>41,568</u>
Total revenues	<u>28,138</u>	<u>230,754</u>	<u>47,289</u>	<u>306,181</u>	<u>5,750</u>	<u>3,755</u>	<u>7,142</u>	<u>16,647</u>	<u>322,828</u>
Expenses									
Salaries	12,968	213,797	21,011	247,776	2,470	1,288	2,438	6,196	253,972
Fringe benefits	7,748	16,957	12,753	37,458	1,776	974	1,843	4,593	42,051
Staff travel	41	-	-	41	-	-	-	-	41
Subgrantees	-	-	-	-	-	-	-	-	-
Other costs	<u>44</u>	<u>-</u>	<u>1,567</u>	<u>1,611</u>	<u>-</u>	<u>704</u>	<u>1,333</u>	<u>2,037</u>	<u>3,648</u>
Total direct cost	20,801	230,754	35,331	286,886	4,246	2,966	5,614	12,826	299,712
Shared costs	<u>7,337</u>	<u>-</u>	<u>11,958</u>	<u>19,295</u>	<u>1,504</u>	<u>789</u>	<u>1,528</u>	<u>3,821</u>	<u>23,116</u>
Total expenses	<u>28,138</u>	<u>230,754</u>	<u>47,289</u>	<u>306,181</u>	<u>5,750</u>	<u>3,755</u>	<u>7,142</u>	<u>16,647</u>	<u>322,828</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER AGING PROGRAMS
for the year ended June 30, 2021**

	Elder Council	Community Service Projects	Letcher Co. Special Project	Total Other Aging
Revenues				
Federal grant	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-
Local	-	-	-	-
Other	6,730	1,996	302	9,028
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	-	-	-
Total revenues	<u>6,730</u>	<u>1,996</u>	<u>302</u>	<u>9,028</u>
Expenses				
Salaries	-	-	-	-
Fringe benefits	-	-	-	-
Staff travel	-	-	-	-
Subgrantees	-	-	-	-
Other costs	6,730	1,996	302	9,028
Total direct cost	6,730	1,996	302	9,028
Shared costs	-	-	-	-
Total expenses	<u>6,730</u>	<u>1,996</u>	<u>302</u>	<u>9,028</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
PARTICIPANT DIRECTED SERVICES (PDS)
for the year ended June 30, 2021**

	HCB Fin. Mgmt.	HCB Support Brok.	Durable Goods	Total PDS
Revenues				
Federal grant	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-
Local	474,325	519,741	114,481	1,108,547
Other	-	-	-	-
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	32,258	-	32,258
Total revenues	<u>474,325</u>	<u>551,999</u>	<u>114,481</u>	<u>1,140,805</u>
Expenses				
Salaries	145,800	243,428	-	389,228
Fringe benefits	102,508	159,094	-	261,602
Staff travel	-	89	-	89
Subgrantees	-	-	-	-
Other costs	4,578	6,825	114,481	125,884
Total direct cost	<u>252,886</u>	<u>409,436</u>	<u>114,481</u>	<u>776,803</u>
Shared costs	87,946	142,563	-	230,509
Total expenses	<u>340,832</u>	<u>551,999</u>	<u>114,481</u>	<u>1,007,312</u>
Revenue over expenses	<u>\$ 133,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,493</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2021**

	Transportation Planning	Transportation Road Updates	Flood	Brownfields	Census 2020	PCHP Referrals Assessment	KACo Safety	COVID-19 Emergency Funds	Flood - Lee Senior Ctr 2021	Appalachia Rises Relief Fund Grant	Misc. Performance Contracts	Total
Revenues												
Federal	\$ -	\$ -	\$ -	\$ 35,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,266
State	83,254	6,239	-	-	-	-	-	-	-	-	91,082	180,575
Local	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	351	5,000	2,038	10,000	-	-	5,106	237,228	259,723
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-
Applied to programs	24,152	18	204	-	367	914	3,113	6,504	1,646	-	-	36,918
Total revenues	107,406	6,257	204	35,617	5,367	2,952	13,113	6,504	1,646	5,106	328,310	512,482
Expenses												
Salaries	46,627	3,302	96	1,413	1,197	1,308	-	2,592	-	-	51,634	108,169
Employee benefits	27,970	1,230	55	752	860	872	-	2,211	-	-	29,117	63,067
Travel	3,184	120	-	-	-	-	-	-	39	-	450	3,793
Subgrantees	-	-	-	-	-	-	-	-	-	-	-	-
Other costs	3,205	-	-	32,685	2,581	-	13,113	-	1,607	5,106	29,815	88,112
Total direct cost	80,986	4,652	151	34,850	4,638	2,180	13,113	4,803	1,646	5,106	111,016	263,141
Shared costs	26,420	1,605	53	767	729	772	-	1,701	-	-	28,600	60,647
Total expenses	107,406	6,257	204	35,617	5,367	2,952	13,113	6,504	1,646	5,106	139,616	323,788
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,694	\$ 188,694

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE III DETAIL
for the year ended June 30, 2021**

	Agency Adminis- tration	Social Services Title III-B	Social Services CARES III-B	Ombudsman Title III-B	Admin CG Meals Title III C1	CG Meals Title III-C1	CG Meals COVID III-C1	CG Meals CRF III-C1	Admin HD Meals Title III-C2	Admin HD Meals COVID III-C2	HD Meals Title III-C2	HD Meals CARES Title III-C2	HD Meals CRF Title III-C2	CFHS HD Meals Federal III-C2	CFHS HD Meals COVID III-C2	Preventative Health Title III-D	Admin Caregiver Services Title III-E	Caregiver Services Title III-E	Caregiver Services CARES III-E
Revenues																			
Federal grant	\$ 15,088	\$ 66,588	\$ 48,659	\$ 14,388	\$ 20,163	\$ 127,865	\$ 21,416	\$ 196,010	\$ 10,531	\$ 7,303	\$ 91,327	\$ 199,044	\$ 112,568	\$ 1,681	\$ 1,705	\$ 2,813	\$ 7,273	\$ 92,364	\$ 20,335
State grant	5,029	13,000	-	3,000	6,721	37,943	-	-	3,510	-	67,001	-	-	-	-	2,010	1,939	17,500	-
Local	-	108,430	-	-	-	221,013	-	-	-	-	42,785	-	-	-	-	327	-	-	-
Other	-	-	-	-	-	52,145	-	-	-	-	14,987	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	688	-	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	5,225	3,599	-	788	3,636	1,347	-	-	3,483	-	58	-	-	2,170	-	274	1,025	18,798	-
Total revenues	25,342	191,617	48,659	18,176	30,520	441,001	21,416	196,010	17,524	7,303	216,158	199,044	112,568	3,851	1,705	5,424	10,237	128,662	20,335
Expenses																			
Salaries	10,063	27,189	-	7,563	12,917	50,382	-	-	7,357	3,058	11,676	10,742	6,076	-	-	1,151	4,421	26,205	4,137
Fringe benefits	6,353	21,696	-	5,180	8,188	37,282	-	-	4,582	1,904	10,035	9,241	5,226	-	-	824	2,816	17,252	2,724
Staff travel	-	365	-	337	-	5,174	-	-	-	-	113	103	58	-	-	-	-	-	-
Subgrantees	-	108,355	48,659	-	-	60,356	21,416	196,010	-	-	57,479	52,891	29,912	3,851	1,705	1,942	-	-	-
Other costs	3,112	16,698	-	583	1,940	256,759	-	-	1,370	570	129,250	118,935	67,263	-	-	808	437	69,833	11,025
Total direct cost	19,528	174,303	48,659	13,663	23,045	409,953	21,416	196,010	13,309	5,532	208,553	191,912	108,535	3,851	1,705	4,725	7,674	113,290	17,886
Shared costs	5,814	17,314	-	4,513	7,475	31,048	-	-	4,215	1,771	7,605	7,132	4,033	-	-	699	2,563	15,372	2,449
Total expenses	25,342	191,617	48,659	18,176	30,520	441,001	21,416	196,010	17,524	7,303	216,158	199,044	112,568	3,851	1,705	5,424	10,237	128,662	20,335
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky River Area Development District (the District) as of and for the year ended June 30, 2021, 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 2, 2021.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited Kentucky River Area Development District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kentucky River Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
December 2, 2021

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2021**

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-C51-20	1/1/20-12/31/20	\$ -	\$ 62,847
ARC Planning	23.009	KY-702-I-C52-21	1/1/21-12/31/21	-	57,370
Total Appalachian Regional Commission				-	120,217
U.S. Department of Commerce					
Economic Development Administration					
Passed through State (DLG) (Note 1)					
JFA - Community and Economic Assistance	11.302	PON2 112 2000003740 1	7/1/20-6/30/21	-	66,667
JFA - Community and Economic Assistance - CARES	11.307	PON2 112 2100000399 1	8/20/20-6/30/21	-	177,640
Total Department of Commerce				-	244,307
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) (Note 1)					
JFA - CDBG	14.228	PON2 112 2000003740 1	7/1/20-6/30/21	-	21,713
U.S. Environmental Protection Administration					
Direct Award					
Brownfields Assessment and Cleanup	66.818	00D46216	10/1/20-9/30/23	-	35,266
U.S. Department of the Treasury (Treasury)					
Passed through State (CFHS) (Note 2)					
Coronavirus Relief Fund Congregate Meals	21.019	PON2 725 2000002717 5	7/1/20-6/30/21	157,677	196,010
Coronavirus Relief Fund Home Delivered Meals	21.019	PON2 725 2000002717 5	7/1/20-6/30/21	39,190	112,568
Total Treasury				196,867	308,578
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS/DAIL) (Note 2)					
Title III, Part B & C, NSIP Aging Cluster					
Title III B Support Services	93.044	PON2 725 2000002717 5	7/1/20-6/30/21	90,720	83,796
Title III B Support Services - CARES Act	93.044	PON2 725 2000002717 5	7/1/20-6/30/21	66,294	48,659
Title III C1 Congregate Meals	93.045	PON2 725 2000002717 5	7/1/20-6/30/21	102,877	153,182
Title III C1 Congregate Meals - COVID-19	93.045	PON2 725 2000002717 5	7/1/20-6/30/21	17,228	21,416
Title III C2 Home Delivered Meals	93.045	PON2 725 2000002717 5	7/1/20-6/30/21	31,795	105,405
Title III C2 Home Delivered Meals - COVID-19	93.045	PON2 725 2000002717 5	7/1/20-6/30/21	5,556	10,689
Title III C2 Home Delivered Meals - CARES Act	93.045	PON2 725 2000002717 5	7/1/20-6/30/21	69,297	199,044
NSIP	93.053	PON2 725 1900000884 3	10/1/19-9/30/20	-	16,778
NSIP	93.053	PON2 725 2100000262 2	10/1/20-9/30/21	22,649	45,161
Total aging cluster				406,416	684,130
Title VII Elder Abuse	93.041	PON2 725 2000002714 3	7/1/20-6/30/21	-	2,351
Title VII Ombudsman	93.042	PON2 725 2000002714 3	7/1/20-6/30/21	-	2,367
Title VII Ombudsman - CARES Act	93.042	PON2 725 2000002714 3	7/1/20-6/30/21	-	7,142
Title III D Preventative Health	93.043	PON2 725 2000000214 5	7/1/20-6/30/21	1,942	2,911
Title III E Caregiver	93.052	PON2 725 2000002717 5	7/1/20-6/30/21	-	103,106
Title III E Caregiver - CARES Act	93.052	PON2 725 2000002717 5	7/1/20-6/30/21	-	20,335
FAST	93.069	PON2 725 2000002444 1	7/1/20-6/30/22	-	1,000
MIPPA SHIP	93.071	PON2 725 2000000094 2	10/1/19-9/30/20	-	871
MIPPA SHIP	93.071	PON2 725 2100000242 2	9/30/20-8/31/21	-	8,834
MIPPA AAA	93.071	PON2 725 2000000094 2	10/1/19-9/30/20	-	368
MIPPA AAA	93.071	PON2 725 2100000242 2	9/30/20-8/31/21	-	2,727
MIPPA ADRC	93.071	PON2 725 2000000094 2	10/1/19-9/30/20	-	1,212
MIPPA ADRC	93.071	PON2 725 2100000242 2	9/30/20-8/31/21	-	4,564
CMS SHIP	93.324	PON2 725 20000003467 2	7/1/20-6/30/22	-	22,880
ACRD CARES - No Wrong Door	93.048	PON2 725 2000004400 3	7/1/20-6/30/22	-	27,608
Medicaid ADRC	93.778	PON2 725 2000004400 3	7/1/20-6/30/22	-	11,000
Total Health and Human Services				408,358	903,406
U.S. Department of Transportation (DOT)					
Passed through Kentucky Transportation Cabinet					
	20.513	KY-2018-006-01	7/1/20-6/30/21	-	42,474
U.S. Department of Labor (DOL)					
Passed through State (CHFS/DAIL)					
Title V SCSEP	17.235	PON2 725 2000002889 2	7/1/20-6/30/21	-	268,164
Total federal expenditures				\$ 605,225	\$ 1,944,125

Notes:

- 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).
- The Coronavirus Relief Funds and 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).
- 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, 2021**

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:

AL Number	Name of Federal Program or Cluster
93.044, 93.045, 93.053	Title III, Part B & C, NSIP Aging Cluster
21.019	Coronavirus Relief Fund

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