

**REPORT OF THE AUDIT OF THE
PENNYRILE AREA DEVELOPMENT
DISTRICT**

**For The Year Ended
June 30, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the Board of Directors
Pennyriple Area Development District
Hopkinsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The District's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



To the Board of Directors
Pennyrile Area Development District
Hopkinsville, Kentucky

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, the Budgetary Comparison Schedule on page 53, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 57 and 58, and Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions on pages 59 and 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Pennyrile Area Development District
Hopkinsville, Kentucky

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statement of revenues and expenditures 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, 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 (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental statement and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 supplemental statement 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 January 4, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, KY

January 4, 2023

**PENNYRILE AREA DEVELOPMENT DISTRICT
BOARD OF DIRECTORS**

For The Year Ended June 30, 2022

Caldwell County

Larry Curling, Judge Executive
Jim Seibert, Mayor of Fredonia
David Williams, Citizen Representative
Dakota Young, Mayor of Princeton

Christian County

Steve Tribble, Judge Executive
Wendell Lynch, Mayor of Hopkinsville
Lori Harper, Citizen Representative
Nikki Durham, Citizen Representative
Bernard Standard, Citizen Representative

Crittenden County

Perry Newcom, Judge Executive / Board Chair
Robert B. Frazer, Citizen Representative
Adam Ledford, Mayor's Designee, City of Marion
Roger Simpson, Citizen Representative

Hopkins County

Jack Whitfield, Jr., Judge Executive
Kevin Cotton, Mayor of Madisonville
Chris Phelps, Mayor of Mortons Gap
Chris Smiley, Mayor of Dawson Springs

Livingston County

Garrett Gruber, Judge Executive
Crissy Carter, Citizen Representative/Board Treasurer
Gary Damron, Mayor of Salem
William Hesser, Mayor of Smithland
Terry Stringer, Citizen Representative

Lyon County

Wade White, Judge Executive
John Choat, Mayor of Eddyville
Deb Domke, Citizen Representative
Lee F. Wilson, Citizen Representative

Muhlenberg County

Curtis McGehee, Judge Executive
Tony Armour, Mayor of Central City
Rajiv Johar, Citizen Representative
Karen Robinson, Citizen Representative
Jan Yonts, Mayor of Greenville / Board Secretary

Todd County

Todd Mansfield, Judge Executive
Arthur Green, Mayor of Elkton
Martha Jo Ray, Mayor of Trenton
Scott Marshall, Citizen Representative

Trigg County

Hollis Alexander, Judge Executive / Board Vice Chair
Barbie Ann Johnson, Mayor's Designee, City of Cadiz
Stephanie Perry, Citizen Representative
John Sumner, Citizen Representative

**Pennyrile Area Development District
Management's Discussion and Analysis
June 30, 2022**

The Pennyrile Area Development District (District) offers this Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2022. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this report.

FINANCIAL HIGHLIGHTS

- The liabilities and net position of the District exceeded its assets by \$614,565 at June 30, 2022.
- The District's total net position increased by \$527,137 during the year.
- The Fund Balance, a measure of current financial resources, increased in the governmental funds by \$381,077 to a fund balance of \$3,683,978 at June 30, 2022. As contract amounts vary from year to year, some of the excess revenues over expenditures have been set aside for administration of future projects. Programs with excess revenues to be used in upcoming fiscal years are listed as follows:
 - Participant Directed Service Programs - \$215,396
 - Relending Programs - \$25,230

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary information.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all District assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Monitoring increases and / or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving, deteriorating, or stagnating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported similar to the approach used by a commercial enterprise in that revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Although the Statement of Activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position* that is essentially the same thing.

The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

The focus of fund financial statements is directed to specific activities of a governmental entity rather than the entity as a whole. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be categorized into one broad category: governmental funds.

**Pennyrile Area Development District
Management's Discussion and Analysis
June 30, 2022
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, however, governmental fund financial statements provide a detailed short-term view of the District's operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities.

The District maintains three individual governmental funds, all of which are considered major funds by the District. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for each fund. The funds are as follows:

- General Fund – This fund is used to account for all financial transactions not reported in another fund.
- Special Revenue Fund – This fund includes all grant programs and services operated by the District that are restricted for a specific purpose.
- Pennyrile Development and Governmental Center Fund – This fund was put into place to account for the building facilities for the District.

The differences of results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

The basic governmental fund financial statements can be found on pages 17-21 of this report

Notes to the Financial Statements

These notes provide additional information crucial to understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 23-51 of this report.

Required Supplementary Information

In addition to basic financial statements and accompanying notes, GASB Standards require budgetary comparison schedules for the general fund and any other special revenue fund that has a legally adopted budget, as well as the required supplementary information related to pensions and other post-employment benefits. The District's governing body is required to adopt a budget annually per KRS 65A.080. The adopted budget may be amended throughout the fiscal year.

Required supplementary information and notes to the required supplementary information can be found on pages 55-63 of this report.

Supplementary Information

Supplementary information that is not a required part of the basic financial statements can be found on pages 67-85 of this report.

**Pennyrile Area Development District
Management's Discussion and Analysis
June 30, 2022
(Continued)**

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows by \$614,565 at June 30, 2022. The District's Net Investment in Capital Assets reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the District's net assets at June 30:

Pennyrile Area Development District Net Position

| | <u>Government Activities</u> | | <u>Component Unit Activities</u> | | <u>Total</u> | |
|--|------------------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|
| | <u>June 30, 2021</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2022</u> |
| Assets | | | | | | |
| Current and Other Assets | \$ 5,965,716 | \$ 6,195,155 | \$ 455,228 | \$ 295,051 | \$ 6,420,944 | \$ 6,490,206 |
| Capital Assets | 726,824 | 706,049 | 3,186 | 3,186 | 730,010 | 709,235 |
| Total Assets | 6,692,540 | 6,901,204 | 458,414 | 298,237 | 7,150,954 | 7,199,441 |
| Deferred Outflows of Resources | | | | | | |
| Deferred Outflows - Pensions | 905,250 | 502,033 | | | 905,250 | 502,033 |
| Deferred Outflows-Other Post Employment Benefits | 494,146 | 513,656 | | | 494,146 | 513,656 |
| Total Deferred Outflows of Resources | 1,399,396 | 1,015,689 | | | 1,399,396 | 1,015,689 |
| Liabilities | | | | | | |
| Current and Other Liabilities | 972,458 | 821,619 | 435,422 | 286,187 | 1,407,880 | 1,107,806 |
| Net Pension Liabilities | 5,300,987 | 4,413,127 | | | 5,300,987 | 4,413,127 |
| Net OPEB Liabilities | 1,668,410 | 1,324,819 | | | 1,668,410 | 1,324,819 |
| Long-Term Liabilities | 630,952 | 601,783 | 57,839 | 46,160 | 688,791 | 647,943 |
| Total Liabilities | 8,572,807 | 7,161,348 | 493,261 | 332,347 | 9,066,068 | 7,493,695 |
| Deferred Inflows of Resources | | | | | | |
| Deferred Revenue | 353,630 | 221,082 | 6,637 | 6,637 | 360,267 | 227,719 |
| Deferred Pension Inflows | 162,652 | 633,239 | | | 162,652 | 633,239 |
| Deferred OPEB Inflows | 103,065 | 475,042 | | | 103,065 | 475,042 |
| Total Deferred Inflows of Resources | 619,347 | 1,329,363 | 6,637 | 6,637 | 625,984 | 1,336,000 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 274,900 | 271,792 | 3,186 | 3,186 | 278,086 | 274,978 |
| Restricted For: | | | | | | |
| Revolving Loan Fund | 663,607 | 671,252 | | | 663,607 | 671,252 |
| Revolving Loan Fund - CARES | 621,040 | 622,582 | | | 621,040 | 622,582 |
| Intermediary Relending Program | 669,020 | 683,835 | | | 669,020 | 683,835 |
| Unrestricted | (3,328,785) | (2,823,279) | (44,670) | (43,933) | (3,373,455) | (2,867,212) |
| Total Net Position | \$ (1,100,218) | \$ (573,818) | \$ (41,484) | \$ (40,747) | \$ (1,141,702) | \$ (614,565) |

At the end of the fiscal year, the District is able to report positive balances in the Net Investment in Capital Assets and Restricted Net Position for governmental activities. The component unit activities have a negative total net position balance.

**Pennyrile Area Development District
Management's Discussion and Analysis
June 30, 2022
(Continued)**

**OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS
(Continued)**

Pennyrile Area Development District Changes in Net Position

| | Government Activities | | Component Unit Activities | |
|---------------------------------------|------------------------------|----------------------|----------------------------------|----------------------|
| | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services | \$ 263,601 | \$ 344,778 | \$ 1,471 | \$ 1,493 |
| Operating Grants and Contributions | 10,288,387 | 9,915,255 | 4,372,910 | 4,231,233 |
| Capital Grants and Contributions | 619,814 | 79,856 | | |
| General Revenues | | | | |
| Annual Assessments | 98,688 | 98,711 | | |
| Interest Earned | 2,178 | 5,414 | 24 | 68 |
| Other Revenues | 29,190 | 43,314 | 34,860 | |
| Total Revenues | 11,301,858 | 10,487,328 | 4,409,265 | 4,232,794 |
| Expenses | | | | |
| General Government | 473,857 | 59,660 | | |
| Community / Economic Development | 870,741 | 940,818 | | |
| Transportation Services | 105,476 | 94,875 | | |
| Aging and Independent Living Services | 9,171,214 | 8,772,611 | | |
| Revolving Loan Funds | 50,276 | 44,031 | | |
| Intermediary Relending Program | 14,915 | 2,588 | | |
| Pennyrile Development & Gov't Center | 30,378 | 26,124 | | |
| Pennyrile Housing Corporation | | | 67,624 | 165 |
| West Kentucky Workforce Board | | | 4,336,970 | 4,231,121 |
| Interest on Long-Term Debt | 21,129 | 20,221 | 785 | 771 |
| Total Expenses | 10,737,986 | 9,960,928 | 4,405,379 | 4,232,057 |
| Change in Net Position | 563,872 | 526,400 | 3,886 | 737 |
| Net Position - Beginning | (1,664,090) | (1,100,218) | (45,370) | (41,484) |
| Net Position - Ending | \$ (1,100,218) | \$ (573,818) | \$ (41,484) | \$ (40,747) |

Changes in Net Position – Governmental Activities. The District's governmental activities increased net position by \$526,400 in the fiscal year 2022. Key elements of the increase are as follows:

Total revenues were \$10,487,328, a decrease of 7% over the prior year. Of this, program revenues represent 99% of total revenues. Major sources of program revenues include various community support funding and grants. General revenues represent 1% of total revenues. Major sources of general revenues include annual assessments and interest income.

Total expenditures were \$9,960,928, a decrease of 7% from the previous year. Of this, the major functions include aging services and community and economic development services. Together they comprise 98% of the total program expenditures.

**Pennyrile Area Development District
Management's Discussion and Analysis
June 30, 2022
(Continued)**

**OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS
(Continued)**

Changes in Net Position – Component Units. The District's two component units, 1) Pennyrile Housing Corporation (PHC) and 2) West Kentucky Workforce Board (WKWB) are discretely presented within the government-wide financial statements.

- A.** The PHC's total revenues were \$1,561, a decrease of 98% from the prior year. Of this, program revenues represent 96% of total revenues. Charges for services and operating grants and contributions are the major sources of program revenue. General revenues represent 4% of total revenue.

Expenditures totaled \$824, a decrease of 99% from the previous year.

- B.** The WKWB's total revenues were \$4,231,233, a decrease of 2% from the prior year. The WKWB did not have any general revenues during the 2022 or 2021 fiscal years.

Expenditures totaled \$4,231,233, a decrease of 2% from the previous year.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2022 is \$709,235 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, equipment, leased equipment, and construction in progress.

| | Government Activities | | Component Unit Activities | | Total | |
|--------------------------------|------------------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|
| | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 |
| Land | \$ 9,988 | \$ 9,988 | \$ | \$ | \$ 9,988 | \$ 9,988 |
| Buildings and Improvements | 1,440,267 | 1,440,267 | | | 1,440,267 | 1,440,267 |
| Office Furniture and Equipment | 238,479 | 257,728 | 21,636 | 13,891 | 260,115 | 271,619 |
| Computers and Equipment | 209,961 | 216,873 | 87,932 | 81,831 | 297,893 | 298,704 |
| Vehicles | 106,484 | 106,484 | | | 106,484 | 106,484 |
| Leased Equipment | 33,284 | 40,061 | | | 33,284 | 40,061 |
| Construction in Progress | | | 3,186 | 3,186 | 3,186 | 3,186 |
| | 2,038,463 | 2,071,401 | 112,754 | 98,908 | 2,151,217 | 2,170,309 |
| Less Accumulated Depreciation | (1,311,639) | (1,365,352) | (109,568) | (95,722) | (1,421,207) | (1,461,074) |
| Total Net Capital Assets | \$ 726,824 | \$ 706,049 | \$ 3,186 | \$ 3,186 | \$ 730,010 | \$ 709,235 |

Additional information on the District's capital assets can be found in Note 4 of this report.

LONG TERM DEBT

At year-end, the District had \$434,257 in outstanding notes, program debt, and lease liabilities, compared to \$451,924 at June 30, 2022. The PHC had \$61,042 in outstanding notes and program debt, compared to \$76,209 as of June 30, 2021.

The Pennyrile Development and Governmental Center had \$425,000 in outstanding notes at June 30, 2022 compared to \$445,000 at June 30, 2021. During the year, \$20,000 was paid to reduce the debt outstanding related to the building addition.

**Pennyrile Area Development District
Management's Discussion and Analysis
June 30, 2022
(Continued)**

LONG TERM DEBT (Continued)

The District had lease liabilities of \$9,257 included with the long-term debt as of June 30, 2022, compared to \$6,924 at June 30, 2021. A new lease was entered into during fiscal year ended June 30, 2022 with a net present value of \$6,777. Total payments in the amount of \$4,444 were made during the fiscal year to reduce the lease liability.

The Pennyrile Housing Corporation's payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were \$15,166. These loans are drawn down periodically as the money is needed for various housing projects. There were no borrowings during the fiscal year ended June 30, 2022.

Additional information on the District's long-term debt can be found in Note 6 of this report.

ECONOMIC FACTORS

During the 2022 fiscal year, the District completed its 53rd year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning, review and technical services in areas of public administration, social services, economic and workforce development and transportation to the local Pennyrile communities in Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd and Trigg counties.

The District continues to benefit from increased federal and state funding to address issues stemming from the COVID-19 pandemic. In addition, the District has received and implemented funding/programs to assist with recovery efforts as a result of natural disasters. However, we believe Congress and the State Legislator will look for areas to reduce future discretionary spending to pay for increased spending. In addition, specifically at the State level, future budgets will have to absorb substantial liabilities in the area of pension, healthcare, and continued investment in much needed infrastructure. The District is engaged with Legislative and Cabinet level leaders in order to monitor potential shortfalls impacting programs operated by the District. Management continues to make every effort to maximize our operational efficiency and effectiveness.

The Pennyrile Area Development District serves as the Sub-Grant Recipient/Fiscal Agent for the West Kentucky Workforce Board (WKWB). The WKWB's allocation funding is partially based on the employment/economic status of the Pennyrile and Purchase regions (totally 17 counties). As major unemployment events may occur, the WKWB receives additional grant dollars to provide services to dislocated workers beyond these allocations. The WKWB has normally participated in several federal direct funded US Department of Labor grants for special services. We have not received any additional dislocated worker grants due to the economic conditions for the region; however, we have received disaster grants for individuals impacted by the tornadoes, which also target job loss and retraining needs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Pennyrile Area Development District for all those with an interest in the finances. Questions or requests for additional information may be addressed to Jason Vincent, Executive Director, Pennyrile Area Development District or Sheila Clark, Director, West Kentucky Workforce Board, 300 Hammond Drive, Hopkinsville, Kentucky, 42240.

Respectfully Submitted,

Jason Vincent, Executive Director

**PENNYRILE AREA DEVELOPMENT DISTRICT
BASIC FINANCIAL STATEMENTS**

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

| | Primary | Component Units | |
|--|--------------------------------|--------------------------------------|--------------------------------------|
| | Governmental Activities | Pennyrile Housing Corporation | West Kentucky Workforce Board |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 2,891,086 | \$ 22,695 | \$ 4,425 |
| Program Receivables | 1,674,712 | | 373,928 |
| Receivables Due (to) from Component Units | 146,986 | (43,619) | (107,144) |
| Other Current Assets | 4,621 | | |
| Non-Current Assets: | | | |
| Notes Receivable, Due Within One Year | 349,350 | 17,445 | |
| Notes Receivable, Due in More Than One Year | 1,128,400 | 27,321 | |
| Right to Use Leased Assets, Net of Amortization | 9,257 | | |
| Depreciable Capital Assets, Net of Depreciation | 686,804 | | |
| Non-Depreciable Assets | 9,988 | 3,186 | |
| Total Assets | <u>6,901,204</u> | <u>27,028</u> | <u>271,209</u> |
| Deferred Outflows of Resources | | | |
| Deferred Outflows - Pensions | 502,033 | | |
| Deferred Outflows-Other Post Employment Benefits | 513,656 | | |
| Total Deferred Outflows of Resources | <u>1,015,689</u> | | |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 478,703 | 95 | 253,069 |
| Grants Payable | 30,822 | | |
| Other Current Liabilities | 287,945 | | 18,140 |
| Noncurrent Liabilities: | | | |
| Accrued Annual Leave | 191,675 | | |
| Net Pension Liability | 4,413,127 | | |
| Net Other Post Employment Benefits Liability | 1,324,819 | | |
| Due Within One Year | 24,149 | 14,883 | |
| Due in More Than One Year | 410,108 | 46,160 | |
| Total Liabilities | <u>7,161,348</u> | <u>61,138</u> | <u>271,209</u> |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue | 221,082 | 6,637 | |
| Deferred Inflows - Pensions | 633,239 | | |
| Deferred Inflows-Other Post Employment Benefits | 475,042 | | |
| Total Deferred Inflows of Resources | <u>1,329,363</u> | <u>6,637</u> | |

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

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2022
(Continued)

| | Primary | Component Units | |
|--------------------------------|---------------------|------------------------|----------------------|
| | Government | Pennyrile | West Kentucky |
| | Governmental | Housing | Workforce |
| | Activities | Corporation | Board |
| NET POSITION | | | |
| Invested in Capital Assets | \$ 271,792 | \$ 3,186 | \$ |
| Restricted For: | | | |
| Revolving Loan Fund | 671,252 | | |
| Revolving Loan Fund - CARES | 622,582 | | |
| Intermediary Relending Program | 683,835 | | |
| Unrestricted | (2,823,279) | (43,933) | |
| Total Net Position | <u>\$ (573,818)</u> | <u>\$ (40,747)</u> | <u>\$ 0</u> |

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

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022

| Functions/Programs Reporting Entity | Expenses | Program Revenues Received | | | |
|---|--------------|-------------------------------|-------------------------|--|--|
| | | Shared Costs Allocation | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 59,330 | \$ 330 | \$ 1,140 | \$ (16,604) | \$ |
| Community / Economic Development | 805,266 | 135,552 | 260,347 | 841,786 | |
| Transportation Services | 72,589 | 22,286 | | 94,876 | |
| Aging and Independent Living Services | 8,398,110 | 374,501 | 7,475 | 8,960,971 | |
| Revolving Loan Fund | 2,411 | 768 | 10,302 | | |
| Revolving Loan Fund - CARES | 36,189 | 4,663 | 2,768 | 34,226 | 79,856 |
| Intermediary Relending Program | 1,872 | 716 | 16,543 | | |
| Pennyrile Development & Governmental Center | 26,124 | | 46,203 | | |
| Interest on Long-Term Debt | 20,221 | | | | |
| Total Governmental Activities | 9,422,112 | 538,816 | 344,778 | 9,915,255 | 79,856 |
| Total Primary Government | \$ 9,422,112 | \$ 538,816 | \$ 344,778 | \$ 9,915,255 | \$ 79,856 |
| Component Units: | | | | | |
| Pennyrile Housing Corporation | \$ 165 | \$ | \$ 1,493 | \$ | \$ |
| West Kentucky Workforce Board | 3,938,902 | 292,219 | | 4,231,233 | |
| Interest on Long-Term Debt | 771 | | | | |
| Total Component Units | \$ 3,939,838 | \$ 292,219 | \$ 1,493 | \$ 4,231,233 | \$ 0 |
| General Revenues: | | | | | |
| Annual Assessments | | | | | |
| Interest Earned | | | | | |
| Other Revenues | | | | | |
| Total General Revenues and Transfers | | | | | |
| Change in Net Position | | | | | |
| Net Position - Beginning | | | | | |
| Net Position - Ending | | | | | |

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

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022
(Continued)

| Net (Expenses) | |
|----------------------------|--------------------|
| Revenues and Changes | |
| in Net Position | |
| Governmental Activities | Component Units |
| \$ (75,124) | \$ |
| 161,315 | |
| 1 | |
| 195,835 | |
| 7,123 | |
| 75,998 | |
| 13,955 | |
| 20,079 | |
| (20,221) | |
| 378,961 | |
| 378,961 | |
| | 1,328 |
| | 112 |
| | (771) |
| | 669 |
| 98,711 | |
| 5,414 | 68 |
| 43,314 | |
| 147,439 | 68 |
| 526,400 | 737 |
| (1,100,218) | (41,484) |
| \$ (573,818) | \$ (40,747) |

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022**

| | General Fund | Special Revenue Fund | Pennyrile Development & Governmental Center | Total Governmental Funds |
|---|-------------------------|-------------------------------------|--|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,005,760 | \$ 854,282 | \$ 31,044 | \$ 2,891,086 |
| Program Receivable | 70,334 | 1,604,378 | | 1,674,712 |
| Due from Component Units | | 957,456 | | 957,456 |
| Other Current Assets | 1,460 | 3,161 | | 4,621 |
| Total Assets | <u>2,077,554</u> | <u>3,419,277</u> | <u>31,044</u> | <u>5,527,875</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | 65,068 | 413,310 | 325 | 478,703 |
| Grants Payable | | 30,822 | | 30,822 |
| Due to Component Units | 695,903 | | 129,442 | 825,345 |
| Other Current Liabilities | 2,007 | 285,938 | | 287,945 |
| Total Liabilities | <u>762,978</u> | <u>730,070</u> | <u>129,767</u> | <u>1,622,815</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Revenue | 54,679 | 166,403 | | 221,082 |
| Total Deferred Inflows of Resources | <u>54,679</u> | <u>166,403</u> | | <u>221,082</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Long-term Notes Receivable | | 1,477,750 | | 1,477,750 |
| Restricted: | | | | |
| Revolving Loan Fund | | 671,252 | | 671,252 |
| Revolving Loan Fund - CARES | | 622,582 | | 622,582 |
| Intermediary Relending Program | | 683,835 | | 683,835 |
| Assigned: | | | | |
| Accrued Annual Leave | 191,675 | | | 191,675 |
| Long-Term Debt | 9,257 | | | 9,257 |
| Unassigned | 1,058,965 | (932,615) | (98,723) | 27,627 |
| Total Fund Balances | <u>1,259,897</u> | <u>2,522,804</u> | <u>(98,723)</u> | <u>3,683,978</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,077,554</u> | <u>\$ 3,419,277</u> | <u>\$ 31,044</u> | <u>\$ 5,527,875</u> |

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

**PENNYRILE AREA DEVELOPOMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
TO THE STATEMENT OF ACTIVITIES
June 30, 2022**

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

| | |
|---|---------------------|
| Total Fund Balances - Total Governmental Funds | \$ 3,683,978 |
| Amounts reported for governmental activities in the Statement of Net Position are different because (See Note 1) | |
| Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds. | 1,477,750 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. More specifically, non-depreciable and depreciable assets are reported on the Statement of Net Position. | 696,792 |
| Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. More specifically, right to use leased assets, net of amortization are reported on the Statement of Net Position. | 9,257 |
| Some deferred outflows are not due and receivable in the current period and therefore are not reported in the funds. | |
| Deferred Outflows of Resources Related to Pensions | 502,033 |
| Deferred Outflows of Resources Related to Other Post Employment Benefits | 513,656 |
| A portion of the Due to / from Component Units balance is related to accrued annual leave and depreciation. These items are not reported in the governmental fund statements | 14,875 |
| Some liabilities, including net pension obligations are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. | |
| Accrued Annual Leave | (191,675) |
| Notes Payable | (434,257) |
| Net Pension Liability | (4,413,127) |
| Net Other Post Employment Benefits Liability | (1,324,819) |
| Some deferred inflows are not due and payable in the current period and therefore are not reported in the funds. | |
| Deferred Inflows of Resources Related to Pensions | (633,239) |
| Deferred Inflows of Resources Related to Other Post Employment Benefits | (475,042) |
| Net Position Of Governmental Activities | <u>\$ (573,818)</u> |

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

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2022

| | General Fund | Special Revenue Fund | Pennyrile Development & Governmental Center | Total Governmental Funds |
|---------------------------------------|---------------------|----------------------------|--|--------------------------------|
| REVENUES | | | | |
| Charges for Services | \$ 261,487 | \$ 37,088 | \$ | \$ 298,575 |
| Rent | | | 46,203 | 46,203 |
| Grants | (17,589) | 9,932,844 | | 9,915,255 |
| Annual Assessments | 98,711 | | | 98,711 |
| Interest Income | 3,694 | 1,654 | 66 | 5,414 |
| Other Revenues | 34,795 | 8,519 | | 43,314 |
| Total Revenues | <u>381,098</u> | <u>9,980,105</u> | <u>46,269</u> | <u>10,407,472</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 84,121 | 985 | 431 | 85,537 |
| Community / Economic Development | 112,606 | 839,636 | | 952,242 |
| Transportation Services | | 90,145 | | 90,145 |
| Aging and Independent Living Services | | 8,747,133 | | 8,747,133 |
| Revolving Loan Fund | | 42,913 | | 42,913 |
| Intermediary Relending Program | | 2,457 | | 2,457 |
| Debt Service: | | | | |
| Principal | 3 | 2,452 | 20,000 | 22,455 |
| Interest | | 142 | 20,079 | 20,221 |
| Capital Outlays | 32,938 | | | 32,938 |
| Total Expenditures | <u>229,668</u> | <u>9,725,863</u> | <u>40,510</u> | <u>9,996,041</u> |
| Excess (Deficiency) of Revenues Over | | | | |
| Expenditures Before Other | | | | |
| Financing Sources (Uses) | 151,430 | 254,242 | 5,759 | 411,431 |
| Other Financing Sources (Uses) | | | | |
| Payments on Notes Receivable | | 415,869 | | 415,869 |
| RLF CARES Contributed Capital | | 79,856 | | 79,856 |
| Issuance of Loans | | (532,856) | | (532,856) |
| Lease Liabilities | 6,777 | | | 6,777 |
| Total Other Financing Sources (Uses) | <u>6,777</u> | <u>(37,131)</u> | | <u>(30,354)</u> |
| Net Change in Fund Balances | 158,207 | 217,111 | 5,759 | 381,077 |
| Fund Balances - Beginning | 1,101,690 | 2,305,693 | (104,482) | 3,302,901 |
| Fund Balances - Ending | <u>\$ 1,259,897</u> | <u>\$ 2,522,804</u> | <u>\$ (98,723)</u> | <u>\$ 3,683,978</u> |

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022**

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds \$ 381,077

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report loans issued as other financing uses and payments received as sources. However, in the Statement of Activities, the loan expenditure is recorded as a note receivable and the payments are a reduction of the receivable.

| | | | |
|-------------------------|----|------------------|---------|
| New Loan Issued | \$ | 532,856 | |
| Less: Payments Received | | <u>(415,869)</u> | |
| | | 116,987 | 116,987 |

Governmental funds report pension contributions made during the year as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

| | | | |
|---|--|------------------|--------|
| District Pension Contributions | | 371,314 | |
| Cost of Benefits Earned Net of Employee Contributions | | <u>(357,258)</u> | |
| | | 14,056 | 14,056 |

Governmental funds report other post employment benefit contributions mad during the year as expenditures. However, in the Statement of Activities, the cost of other post employment benefits earned net of employee contributions is reported as pension expense.

| | | | |
|---|--|------------------|---------|
| District Other Post Employment Benefit Contributions | | 101,379 | |
| Cost of Benefits Earned Net of Employee Contributions | | <u>(110,255)</u> | |
| | | (8,876) | (8,876) |

Governmental funds report capital outlays and right to use leased assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. More specifically, this is the amount by which capital outlays and right to use leased assets exceeded depreciation and amortization in the current period.

| | | | |
|---|--|-----------------|---------|
| Fixed Assets and Leased Equipment Purchased | | 32,938 | |
| Less: Depreciation and Amortization | | <u>(37,313)</u> | |
| | | (4,375) | (4,375) |

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022
(Continued)**

Reconciliation to the Statement of Activities: (Continued)

Bond, note proceeds, and lease liabilities provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal (increases) decreases in debt service made during the year.

| | | | |
|-------------------|----|---------------|-----------|
| New Debt Incurred | \$ | (6,777) | |
| Retired Debt | | <u>22,455</u> | |
| Net Debt Service | | 15,678 | \$ 15,678 |

In the Statement of Activities, the accrued annual leave earned during the current fiscal year is expensed. However, the governmental funds will show only the amount actually taken during the year. Thus, the change in net position differs from the change in fund balance by the net of the amount taken and the amount earned.

| | | | |
|---|----|--|----------------|
| | | | <u>11,853</u> |
| Change in Net Position of Governmental Activities | \$ | | <u>526,400</u> |

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

The financial statements of the Pennyrile Area Development District (District) have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

The Pennyrile Area Development District (District) was established under the laws of the Commonwealth of Kentucky by KRS 147A.050(2). The Attorney General in OAG 78-534 held that Area Development Districts are political subdivisions of the Commonwealth of Kentucky. As an Area Development District, the District entered into various agreements, memoranda of agreements and contracts, all of which are subject to the financial management of the District. The District operates under a Board of Directors comprised of a minimum of fifty-one percent elected officials. The County Judge / Executive, at least one mayor and a citizen director from each of the nine counties serve on the Board.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on the application of the criteria set forth by the GASB, the District has determined that there are agencies or entities that should be presented as either discretely presented or blended component units.

Discretely Presented Component Units:

Pennyrile Housing Corporation (PHC) was established to assist low- and moderate-income families to secure affordable housing.

West Kentucky Workforce Board (WKWB) was established after the implementation of the Workforce Innovation and Opportunity Act (WIOA) under the U.S. Department of Labor. The WKWB supports new business / expansion and assists in the retention of a well-trained workforce in the Western Kentucky region.

Neither PHC nor WKWB issue separate financial statements. The District provides personnel and facilities to PHC and WKWB and is reimbursed by the component units for such services. Salary expenditures are directly expensed. All other shared costs are expensed according to the shared cost plan.

Blended Component Unit:

The *Pennyrile Development and Governmental Center* (PDGC) is considered to be a blended component unit. As such, the activities of the PDGC have been included with the governmental activities of the District. The PDGC was established to provide building facilities for the District.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting Measurement Focus

i. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are component unit activities. All of the District's activities are Governmental and thus the statements reflect no business-type activities.

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, as applicable, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of cash flows. The types of transactions reported as program revenues for the District are reported in three categories: charges for services, operating grants and contributions, and capital grants and contributions. Other items not properly included among program revenues are reported instead as general revenues. Gains on the sale of capital assets are reported as general revenues; losses on the sale of capital assets are reported as function / program expenses. The effect of interfund activity has been eliminated from the government-wide financial statements.

ii. Fund Financial Statements

Fund financial statements report detailed information about the District. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented, if applicable. 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. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are a least five percent of the corresponding total for all governmental funds combined.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting Measurement Focus (Continued)

ii. Fund Financial Statements (Continued)

The District has the following major governmental funds:

The *General Fund* is the primary operating fund of the District. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Any unassigned balances are considered as resources available for use.

The *Special Revenue Fund* is used to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the specified project period, as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

The *Pennyrile Development & Governmental Center* is used to account for the activities of the building facilities. This is a blended component unit.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government- Wide financial statements. The District has presented all major funds that meet those qualifications.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

D. Use of Estimates

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Interfund Transfers

Transfers are used to reimburse the General Fund for costs incurred to support Special Revenue Fund activity, and to reclassify as Unassigned in the General Fund equity which has been released from restricted due to satisfaction of program requirements. Any interfund transfers are reported as other financing sources / uses in the governmental funds. Short-term amounts owed between funds are classified as "Due to / from Component Units".

F. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. Short-term investments are those investments with an original maturity of 90 days or less.

Kentucky Revised Statute 66.480 permits the District to invest in U.S. Treasury obligations, U.S. Agency Obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits and the Commonwealth of Kentucky investment pool. As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District is insured by FDIC for up to \$250,000 (\$500,000 for funds under the District's EIN and PHC's EIN since they are public funds) with their bank.

G. Capital Assets

Government-Wide Statements: In the government-wide statements, land, buildings, equipment, and vehicles are accounted for as capital assets in the applicable governmental or component unit activity column. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District has established a policy of capitalizing assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Capital assets of the District, as well as the component units, are depreciated using the straight-line method, except for vehicles, which are depreciated using the sum of years depreciation, over the following estimated useful lives:

| | |
|-------------------------------|----------------|
| Buildings and Improvements | 7 - 31.5 Years |
| Vehicles | 3 Years |
| Office Furniture and Fixtures | 5-15 Years |
| Computers and Equipment | 3 - 7 Years |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's life are not capitalized. Land and construction in progress are not depreciated.

The District elects to use the Basic Approach as defined by Statement No. 34 for their capital asset reporting.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Right to Use Assets

The District has recorded right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

I. Notes Receivable

Notes receivable are stated at the outstanding principal amount net of allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements and are collateralized by promissory notes and security agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. While management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2022, there was one note receivable that was delinquent. The District is in the process of foreclosing on the personal assets of the business owners. The potential loss on the foreclosure is probable, but the amount of the loss cannot be reasonably estimated.

J. Compensated Absences

All full-time employees are entitled to annual leave at the rate of one to five years of service, twelve days per year; six to ten years of service, fifteen days per year; eleven to fifteen years of service, eighteen days per year; sixteen to twenty years of service, twenty-one days per year; and twenty-one or more years of service, twenty-four days per year. Annual leave accrues from the anniversary date of hire on a pro-rated basis. Accrued annual leave is limited to forty days on February 1st of each year. An employee who resigns will be paid for all accumulated annual leave, up to the legal maximum they are permitted to carry over from year to year, provided the employee gives at least fourteen calendar days written notice of their final workday.

Accumulated unpaid annual leave amounts are accrued when incurred in the governmental funds if significant at year-end. At June 30, 2022, these liabilities included \$191,675 in annual leave pay.

K. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial Position and Balance Sheet may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until that time. As of June 30, 2022, the District has \$502,033 that relates to pensions as required by GASB Statement No. 68 and \$513,656 that relates to other post-employment benefits as required by GASB Statement No. 75 in deferred outflows of resources.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows / Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and Balance Sheet may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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. The District has \$227,719 in deferred inflows of resources for fiscal year ended June 30, 2022 that relates to funds received that relate to a future time period. Additionally, as of June 30, 2022, the District also has \$633,239 related to pensions as required by GASB Statement No. 68 and \$475,042 related to other post-employment benefits as required by GASB Statement No. 75 in deferred inflows of resources.

L. Payables and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In the governmental fund financial statements, payables, accrued liabilities and long-term obligations are recognized as a liability when due. Only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) 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, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension investments are reported as fair value.

N. Other Post-Employment Benefits

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB plan, and additions to / deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms. OPEB investments are reported at fair value.

O. Government-Wide Net Position

Government-wide net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets, Net of Related Debt – consists of capital assets net of accumulated depreciation and is reduced by any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

O. Government-Wide Net Position (Continued)

Restricted Net Position – consists of net assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has a restricted net position in the Revolving Loan Fund, Revolving Loan Fund CARES, Intermediary Relending Program in the amounts of \$671,252, \$622,582 and \$683,835, respectively.

Unrestricted Net Position – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. The Board of Directors has the authority to revisit or alter this designation. As of June 30, 2022, the District had a deficit unrestricted net position in the amount of (\$2,823,279). This deficit is due mostly to compliance with GASB Statement No. 68 and GASB Statement No. 75 in recording the deferred outflows of resources, net liabilities associated with pensions and other post-employment benefits, and deferred inflows of resources. The net deficit amount related to these transactions is (\$5,830,538).

P. Governmental Fund Equity

Governmental fund equity is classified as fund balance and is displayed in five components:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. For fiscal year ended June 30, 2022, \$1,477,750 related to the long-term notes receivable for the Revolving Loan Fund, CARES Revolving Loan Funds, and Intermediary Relending Program is nonspendable.

Restricted – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. For fiscal year ended June 30, 2022, \$671,252 has been grantor restricted for the Revolving Loan Fund, \$622,582 has been grantor restricted for the CARES Revolving Loan Fund, and \$683,835 has been grantor restricted for the Intermediary Relending Program.

Committed – amounts that can only be spent for specific purposes determined by the District’s Board of Directors through formal action.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The amounts may be assigned by the Board or management. For the fiscal year ended June 30, 2022, \$191,675 and \$9,257 have been assigned for future use related to compensated absences and long-term debt, respectively.

Unassigned – all other amounts not included in other spendable classifications. As of June 30, 2022, Pennyrile Development & Governmental Center had a deficit fund balance in the amount of (\$98,723) and the Special Revenue Fund had a deficit fund balance in the amount of (\$932,615).

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Prioritization and Use of Available Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

R. Non-exchange Transactions

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, donations and other gifts. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

S. Cost Allocation Plan

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

T. Fair Value of Financial Instruments

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and the principal or most advantageous market for that asset or liability.

The fair value should be calculated based on assumptions that market participants would use on pricing the asset or liability, not on assumptions specific to the entity.

Cash and cash equivalents, certificates of deposit, receivables, other current assets, other noncurrent assets, accounts and grant payables, other current liabilities, and non-current liabilities – The carrying amounts reported in the balance sheets for these items are a reasonable estimate of the fair value.

U. Subsequent Events

Subsequent events have been evaluated by management through the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

V. Related Company Transactions

The District handles transfers between the primary government and component units as revenues when received and expenses when paid. Short-term amounts owed between units are classified as "Due (to) from Component Units". Outside of related-party transactions between the primary government and the component units, there are no material related party transactions that require disclosure.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

W. Concentrations

The District operates in a heavily regulated environment and approximately 79% of its revenues are derived from federal and state funds.

Note 2. Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of deposits. The District's deposits, including certificates of deposit, were insured or collateralized as required by State statutes at their highest daily balance during the fiscal year.

The District is exposed to custodial credit risk at various points throughout the year. The District's deposits not covered by depository insurance are collateralized by pledged securities held by the financial institution.

As of the high cash day for the fiscal year ended June 30, 2022, the amount of deposits collateralized by depository insurance and pledged securities is as follows:

| | <u>Bank Balance</u> | <u>Depository Insurance</u> | <u>Pledged Securities</u> | <u>(Over) / Under Collateralized</u> |
|-------------------------------|---------------------|---------------------------------|-------------------------------|--|
| Governmental Activities | \$ 3,186,916 | \$ 500,000 | \$ 4,134,325 | \$ (1,447,409) |
| Blended Component Unit - PDGC | \$ 31,045 | \$ 250,000 | \$ | \$ (218,955) |
| Component Unit - PHC | \$ 22,695 | \$ 500,000 | \$ 542,871 | \$ (1,020,176) |
| Component Unit - WKWB | \$ 167,850 | \$ 250,000 | \$ 685,000 | \$ (767,150) |

Note 3. Disaggregation of Receivables

The District has program receivables in the amount of \$2,048,640. The majority of these receivables are related to grant receivables. The breakdown by function / program is as follows:

| | |
|---------------------------------------|--------------|
| General Government | \$ 35,645 |
| Community / Economic Development | \$ 239,359 |
| Transportation Services | \$ 19,674 |
| Aging and Independent Living Services | \$ 1,361,219 |
| Revolving Loan Fund | \$ 18,815 |
| West Kentucky Workforce Board | \$ 373,928 |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 4. Capital Assets and Right to Use Leased Assets

In accordance with GASB Statement No. 87, the District has recorded right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities note. The right to use lease assets are amortized in a systematic and rational manner over the terms of the related leases.

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Position.

Capital and right to use asset activity of the governmental activities for the year ended June 30, 2022, consisted of the following:

| | Balance | | | Balance |
|--------------------------------------|----------------------|--------------------------|--------------------------|----------------------|
| | June 30, 2021 | Additions / | Deletions / | June 30, 2022 |
| | (Restated) | Reclassifications | Reclassifications | |
| Governmental Activities | | | | |
| Land | \$ 9,988 | \$ | \$ | \$ 9,988 |
| Buildings and Improvements | 1,440,267 | | | 1,440,267 |
| Office Furniture and Equipment | 238,479 | 19,249 | | 257,728 |
| Computers and Equipment | 209,961 | 6,912 | | 216,873 |
| Vehicles | 106,484 | | | 106,484 |
| Leased Equipment | 33,284 | 6,777 | | 40,061 |
| Total | 2,038,463 | 32,938 | | 2,071,401 |
| Less Accumulated Depreciation | (1,311,639) | | | (1,365,352) |
| Total Governmental Activities | \$ 726,824 | | | \$ 706,049 |

A summary of the component units fixed asset transactions for the year ended June 30, 2022, follows:

| | Balance | | | Balance |
|----------------------------------|----------------------|--------------------------|--------------------------|----------------------|
| | June 30, 2021 | Additions / | Deletions / | June 30, 2022 |
| | | Reclassifications | Reclassifications | |
| Component Unit Activities | | | | |
| Office Furniture and Equipment | \$ 21,636 | \$ | \$ 7,745 | \$ 13,891 |
| Computers and Equipment | 87,932 | | 6,101 | 81,831 |
| Construction in Progress | 3,186 | | | 3,186 |
| Total | 112,754 | | 13,846 | 98,908 |
| Less Accumulated Depreciation | (109,568) | | | (95,722) |
| Total Governmental Activities | \$ 3,186 | | | \$ 3,186 |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 4. Capital Assets and Right to Use Leased Assets (Continued)

For the year ended June 30, 2022, depreciation and amortization on capital assets, including right of use assets associated with leases, was charged to the government functions as follows:

| | | |
|--|-----------|---------------|
| General | \$ | 6 |
| Community / Economic Development | | 2,509 |
| Transportation Services | | 408 |
| Aging Services | | 8,588 |
| Revolving Loan Fund | | 13 |
| RLF CARES | | 80 |
| Intermediary Relending Program | | 12 |
| Pennyrile Development and Gov't Center | | 25,693 |
| West Kentucky Workforce Board | | <u>6,208</u> |
| Total Depreciation Expense | <u>\$</u> | <u>43,517</u> |

Note 5. Accounts Payable

The District has accounts payable in the amount of \$731,867. The majority of these payables are related to operating and program expenses. The breakdown by function / program is as follows:

| | | |
|--|----|---------|
| General Government | \$ | 65,068 |
| Community / Economic Development | \$ | 4,970 |
| Transportation Services | \$ | 780 |
| Aging and Independent Living Services | \$ | 401,234 |
| Revolving Loan Fund | \$ | 5,795 |
| Intermediary Relending Program | \$ | 532 |
| Pennyrile Development and Gov't Center | \$ | 325 |
| Pennyrile Housing Corporation | \$ | 92 |
| West Kentucky Workforce Board | \$ | 253,071 |

Note 6. Non-Current Liabilities

The District's non-current liabilities include compensated absences, notes from direct borrowings, and leases payable. The following is a summary of non-current liability transactions for the year ended June 30, 2022:

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Non-Current Liabilities (Continued)

| | Balance July 1, 2021 (Restated) | Transfers Issues, or Additions | Transfers Payments, or Expenditures | Balance June 30, 2022 | Due Within One Year |
|--|---------------------------------------|--------------------------------------|---|--------------------------|------------------------|
| Governmental Activities | | | | | |
| Notes from Direct Borrowings | \$ 445,000 | \$ | \$ 20,000 | \$ 425,000 | \$ 20,000 |
| Lease Liabilities - Equipment | 6,924 | 6,777 | 4,444 | 9,257 | 4,149 |
| Compensated Absences | 203,064 | 131,697 | 143,086 | 191,675 | |
| Net Pension Liability | 5,300,987 | | 887,860 | 4,413,127 | |
| Net OPEB Liability | 1,668,410 | | 343,591 | 1,324,819 | |
| Total Governmental Activities | 7,624,385 | 138,474 | 1,398,981 | 6,363,878 | 24,149 |
| Component Unit Activities | | | | | |
| Notes from Direct Borrowings | 76,209 | | 15,166 | 61,043 | 14,883 |
| Total Component Unit Activities | 76,209 | | 15,166 | 61,043 | 14,883 |
| Total Non-Current Liabilities | \$ 7,700,594 | \$ 138,474 | \$ 1,414,147 | \$ 6,424,921 | \$ 39,032 |

Direct Borrowings

The District's outstanding note from direct borrowings related to the component unit activities in the amount of \$61,043 is unsecured. The outstanding note from direct borrowings related to the component unit activities in the amount of \$61,043 contains no default provisions.

The District's outstanding note from direct borrowings related to the governmental activities in the amount of \$425,000 was borrowed to fund the construction of a building addition to the District's facilities. The note is secured by the building. The agreement defines events of defaults as (a) failure to pay any of the payments at the specified time; (b) failure to vacate or surrender the building by July 1 following an event of nonappropriation; and (c) failure to observe or perform any covenant, condition, or agreement for a period of 30 days after written notice specifying such failure and requesting that it be remedied unless an extension of such time prior to expiration is given in writing. The remedies for default on the outstanding note from direct borrowing are that the lender may (a) enforce the pledge set forth in the agreement that during the remaining term there is levied on all taxable property a direct tax annually in an amount sufficient to pay the payments when and as due; (b) take legal title to, and sell or re-lease the building or any portion thereof; and (c) take whatever action at law or in equity may appear necessary or desirable to enforce the rights in and to the building under this agreement, and / or the applicable covenants and agreements under this agreement and to recover damages for the breach thereof.

Leases

The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception.

The first agreement was executed on October 26, 2016, to lease equipment and requires 60 monthly payments of \$346. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.50%, which is the prime rate as of that date. As a result of the lease, the District has recorded a right to use asset with a net book value of \$19,020.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Non-Current Liabilities (Continued)

Leases (Continued)

The second agreement was executed on June 27, 2018, to lease equipment and requires 60 monthly payments of \$269.17. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 5.00%, which is the prime rate as of that date. As a result of the lease, the District has recorded a right to use asset with a net book value of \$14,264.

The third agreement was executed on March 8, 2022, to lease equipment and requires 60 monthly payments of \$125.58. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.25%, which is the prime rate as of that date. As a result of the lease, the District has recorded a right to use asset with a net book value of \$6,777. Non-current liabilities at June 30, 2022, are comprised of the following:

Governmental Activities

| Notes from Direct Borrowings | Interest Rate | Final Maturity Date | Balance End of Year |
|----------------------------------|---------------|------------------------|------------------------|
| Lease Payable | | | |
| Kentucky Association of Counties | 3.57% | 2037 | \$ 425,000 |
| Total Governmental Activities | | | <u>425,000</u> |

Component Units

| Notes from Direct Borrowings | Interest Rate | Final Maturity Date | Balance End of Year |
|------------------------------|---------------|------------------------|------------------------|
| Kentucky Housing Corporation | 1.00% | 2023 | \$ 6,413 |
| Kentucky Housing Corporation | 1.00% | 2025 | 6,535 |
| Kentucky Housing Corporation | 1.00% | 2026 | 9,691 |
| Kentucky Housing Corporation | 1.00% | 2026 | 8,199 |
| Kentucky Housing Corporation | 1.00% | 2028 | 2,819 |
| Kentucky Housing Corporation | 1.00% | 2029 | 2,827 |
| Kentucky Housing Corporation | 1.00% | 2030 | 8,502 |
| Kentucky Housing Corporation | 1.00% | 2031 | 16,057 |
| Total Component Units | | | <u>61,043</u> |
| Total Long-Term Debt | | | <u>\$ 486,043</u> |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Non-Current Liabilities (Continued)

The annual requirements to retire debt are as follows:

| Governmental Activities | | | |
|---------------------------------------|-------------------|-------------------|------------------------|
| Notes from Direct Borrowings | | | |
| Year | Principal | Interest | Total Lease Payable |
| 2023 | \$ 20,000 | \$ 19,029 | \$ 39,029 |
| 2024 | 22,500 | 17,979 | 40,479 |
| 2025 | 25,000 | 16,798 | 41,798 |
| 2026 | 25,000 | 15,485 | 40,485 |
| 2027 | 25,000 | 14,172 | 39,172 |
| 2028-2032 | 145,000 | 54,109 | 199,109 |
| 2033-2037 | 162,500 | 20,701 | 183,201 |
| Total Notes from Direct Borrowings | <u>\$ 425,000</u> | <u>\$ 158,273</u> | <u>\$ 583,273</u> |

| Governmental Activities | | | |
|--------------------------------|-----------------|---------------|------------------------|
| Lease Liabilities | | | |
| Year | Principal | Interest | Total Lease Payable |
| 2023 | \$ 4,149 | \$ 319 | \$ 4,468 |
| 2024 | 1,315 | 192 | 1,507 |
| 2025 | 1,372 | 135 | 1,507 |
| 2026 | 1,432 | 75 | 1,507 |
| 2027 | 989 | 16 | 1,005 |
| Total Lease Liabilities | <u>\$ 9,257</u> | <u>\$ 737</u> | <u>\$ 9,994</u> |

| Component Units | | | |
|---------------------------------------|------------------|-----------------|------------------------|
| Notes from Direct Borrowings | | | |
| Year | Principal | Interest | Total Lease Payable |
| 2023 | \$ 14,883 | \$ 600 | \$ 15,483 |
| 2024 | 14,912 | 451 | 15,363 |
| 2025 | 8,468 | 301 | 8,769 |
| 2026 | 8,497 | 217 | 8,714 |
| 2027 | 4,055 | 131 | 4,186 |
| 2028-2032 | 10,228 | 175 | 10,403 |
| Total Notes from Direct Borrowings | <u>\$ 61,043</u> | <u>\$ 1,875</u> | <u>\$ 62,918</u> |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Non-Current Liabilities (Continued)

| | | | |
|---|-------------------|-------------------|-------------------|
| Total Governmental and Component Unit Activities | <u>\$ 495,300</u> | <u>\$ 160,885</u> | <u>\$ 656,185</u> |
|---|-------------------|-------------------|-------------------|

Of the three funds the District maintains, the General Fund and the Pennyrile Development and Governmental Center are the funds used to meet the obligations of the general debt activities.

Note 7. Pension Plan

Plan Description: The District contributes to the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA) that covers members employed in nonhazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The KPPA was created by state statute under Kentucky Revised Statute Chapter 61. The KPPA issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided: CERS provides for retirement, disability, and death benefits to system members through its pension fund. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service.

Tier 1 – Members of the CERS (nonhazardous), participating prior to September 21, 2008, are eligible to retire with an unreduced benefit at age 65 or any age with over 27 years of service credit. Benefits are determined by a formula using the member's five highest annual compensation and the member's years of service. A reduced early retirement benefit is available at age 65 with at least 25 years, but less than 27 years of service credit, or at age 55 with 5 years of service credit.

Tier 2 – Members of the CERS (nonhazardous), participating after September 1, 2008 but before January 1, 2014, are eligible to retire with an unreduced benefit at age 57 if age plus service credits equal 87 years at retirement or after age 65 with 5 years of service credit. Benefits are determined by a formula using the member's last five consecutive year's compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 with at least 10 years of service credit.

Tier 3 – Members of the CERS (nonhazardous), participating after January 1, 2014, are eligible to retire with an unreduced benefit at age 57 and if age plus service credits equal 87 years at retirement or after age 65 with 5 years of service credit. Service-related disability benefits are provided for all three tiers regardless of length of service. A variety of death benefits are available under various eligibility criteria. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Pension Plan (Continued)

Contributions: Contributions for members are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. CERS and Insurance Fund covered employees are required to contribute 5% of gross pay and all employees that began participating after September 1, 2008, are required to contribute an additional 1% for health coverage. By law, employer contributions for the CERS and Insurance Fund are required to be paid. The actuarially determined contribution rate for the year ended June 30, 2022, was 26.95% of annual creditable compensation, of which 21.17% and 5.78% was contributed to the pension and insurance funds within CERS, respectively. Contributions to the CERS pension fund were \$371,314 for the year ended June 30, 2022.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability: At June 30, 2022, the District reported a liability of \$4,413,127 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan during the year ended June 30, 2021, relative to the contributions of all members for the year ended June 30, 2021. At the June 30, 2021, measurement date, the District's proportion was 0.069217%. The District's proportionate share increased 0.000103% from the prior year.

For the year ended June 30, 2022, the District recognized a pension expense of \$357,258.

For the year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Net difference between projected and actual experience | \$ 7,844 | \$ |
| Changes of assumptions | 59,229 | |
| Net difference between projected and actual earnings on plan investments | | 588,196 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 63,646 | 45,043 |
| Employer Contributions subsequent to the measurement date | <u>371,314</u> | <u> </u> |
| | <u>\$ 502,033</u> | <u>\$ 633,239</u> |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Pension Plan (Continued)

The amount shown above for “Employer contributions subsequent to the measurement date” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

| <u>June 30</u> | <u>Amount</u> |
|----------------|-----------------------------|
| 2023 | \$ (58,972) |
| 2024 | (127,559) |
| 2025 | (131,794) |
| 2026 | (184,195) |
| 2027 | <u> </u> |
| Total | <u>\$ (502,520)</u> |

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

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

| | |
|---------------------------|---|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% for CERS non-hazardous |
| Salary Increases | 3.30% - 10.30%, varies by service for CERS nonhazardous |
| Investment Rate of Return | 6.25% for CERS non-hazardous |

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality 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.

Long-Term Rate of Return: The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. These ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below. The current long-term inflation assumption is 2.30% per annum. The long-term expected rates of return on Pension Plans’ investments were applied to all periods of projected benefit payments to determine the total pension liability.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Pension Plan (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> |
|---------------------------|--------------------------|
| U.S Equity | 21.75% |
| Non-U.S. Equity | 21.75% |
| Private Equity | 10.00% |
| Special Credit/High Yield | 15.00% |
| Liquidity | 11.50% |
| Real Estate | 10.00% |
| Opportunistic | 0.00% |
| Real Return | 10.00% |
| | <u>100.00%</u> |

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the total pension liability for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year. The discount rate determination does not use a municipal bond rate.

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

| | <u>1% Decrease (5.25%)</u> | <u>Discount Rate Rate (6.25%)</u> | <u>1% Increase (7.25%)</u> |
|---|--------------------------------|---------------------------------------|--------------------------------|
| Pennyrile Area Development District's net pension liability | \$ 5,660,044 | \$ 4,413,127 | \$ 3,381,332 |

Plan Fiduciary Net Position: Detailed information about the pension plan fiduciary net position is available in the separately issued KPPA Annual Comprehensive Financial Report.

Note 8. Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description: The District contributes to the Kentucky Retirement Systems Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the KPPA. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. The KPPA issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 8. Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Benefits Provided: The Insurance Fund was established to provide hospital and medical insurance for members receiving benefits from the County Employees Retirement System (CERS). The Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries.

Contributions: Employers participating in the Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates are a percentage of each employee's creditable compensation. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1% of creditable compensation to an account created for the payment of health insurance benefits. For the year ended June 30, 2022, the required contribution was 5.78% of each employee's covered payroll. Contributions from the District to the Insurance Fund for the year ended June 30, 2022, were \$101,379.

Implicit Subsidy: The fully insured premiums for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities (Assets), OEPB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Other Post-Employment Benefits Liability: At June 30, 2022, the District reported a liability of \$1,324,819 for its proportionate share of net liability associated with the other post-employment benefits. The net other post-employment benefits liability was measured as of June 30, 2021, and the total other post-employment benefits liability used to calculate the net other post-employment benefits asset was determined by an actuarial valuation as of that date. The District's portion of the net other post-employment benefits liability was based on the District's contributions to the other post-employment benefits plan during the year ended June 30, 2021, relative to the contributions of all members for the year ended June 30, 2021. At the June 30, 2021, measurement date, the District's proportion was 0.069201%. The District's proportionate share increased 0.000107% from the prior year.

For the year ended June 30, 2022, the District recognized other post-employment benefits expenses of \$110,255.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

For the year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual experience | \$ | \$ 187,219 |
| Changes of assumptions | 351,235 | 1,232 |
| Net difference between projected and actual earnings on plan investments | | 207,250 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 17,450 | 79,341 |
| Employer contributions subsequent to the measurement date | <u>144,971</u> | |
| | <u>\$ 513,656</u> | <u>\$ 475,042</u> |

The amount shown above for “Employer contributions subsequent to the measurement date” will be recognized as a reduction (increase) to net other post-employment benefits liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

| <u>June 30</u> | <u>Amount</u> |
|----------------|---------------------|
| 2023 | \$ 14,123 |
| 2024 | (17,321) |
| 2025 | (18,997) |
| 2026 | (84,162) |
| 2027 | |
| Total | <u>\$ (106,357)</u> |

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Actuarial Assumptions: The total other post-employment benefits liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

| | |
|--------------------------------|--|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% for CERS non-hazardous |
| Salary Increases | 3.30% - 10.30%, varies by service for CERS non-hazardous |
| Investment Rate of Return | 6.25% |
| Healthcare Trend Rates | |
| Pre-65 | Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |
| Post-65 | Initial trend starting at 6.30% in 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |
| Mortality | |
| Pre-retirement | PUB-2010 General Mortality table, for the Non-Hazardous System projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |
| Post-retirement (non-disabled) | 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 |
| Post-retirement | PUB-2010 Disable Mortality table, with a 4-year set-forward for disabled) both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |

Long-Term Expected Rate of Return: The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The current long-term inflation assumption is 2.30% per annum.

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

| <u>Asset Class</u> | <u>Target Allocation</u> |
|---------------------------|--------------------------|
| U.S Equity | 21.75% |
| Non-U.S. Equity | 21.75% |
| Private Equity | 10.00% |
| Special Credit/High Yield | 15.00% |
| Liquidity | 11.50% |
| Real Estate | 10.00% |
| Opportunistic | 0.00% |
| Real Return | 10.00% |
| | <u>100.00%</u> |

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 8. Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Discount Rate: The projection of cash flows used to determine the discount rate of 5.20% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially 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 Proportionate Share of Net Other Post-Employment Benefits Liability (Asset)

to Changes in the Discount Rate: The following presents the net other post-employment benefits liability of the District, calculated using a discount rate of 5.20%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (4.20%) or 1-percent-point higher (6.20%) than the current rate for non-hazardous:

| | <u>1% Decrease (4.20%)</u> | <u>Discount Rate Rate (5.20%)</u> | <u>1% Increase (6.20%)</u> |
|--|--------------------------------|---------------------------------------|--------------------------------|
| Pennyrile Area Development District's net other post-employment benefits liability | \$ 1,818,966 | \$ 1,324,819 | \$ 919,289 |

Sensitivity of the Proportionate Share of Net Other Post-Employment Benefits Liability (Asset)

to Changes in the Healthcare Cost Trend Rate: The following presents the net other post-employment benefits liability of the District, calculated using the current healthcare cost trend rate, as well as what the District's net pension liability would be if it were calculated at a 1% decrease and a 1% increase:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| Pennyrile Area Development District's net other post-employment benefits liability | \$ 953,712 | \$ 1,324,819 | \$ 1,772,750 |

OPEB Plan Fiduciary Net Position: Detailed information about the pension plan fiduciary net position is available in the separately issued Kentucky Retirement System Comprehensive Annual Financial Report.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 9. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured under a public entity risk pool for these types of risk, including workers' compensation. In accordance with Kentucky Revised Statute 304.48-250, if the assets of the liability insurance group (pool) are at any time insufficient to enable the group to discharge its legal liabilities, other obligations, and to maintain the required reserves, the pool shall immediately levy an additional assessment upon all members of the pool for the amount necessary to make up the deficiency.

The District reduces the risk of loss by purchasing commercial liability insurance. No additional assessments have resulted for the liability insurance or workers' compensation insurance in any of the past three fiscal years.

Note 10. Contingencies

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. To the extent that the District has not complied with the rules and regulations governing these grants, refunds of any money received may be impaired. Based on prior experience, management believes the District will not incur significant losses from possible grant disallowances. Amounts that management anticipates will be refunded are included in grants payable.

The District passes a significant portion of the state and federal grant funds it receives through to subrecipients. The District monitors the activities of the subrecipients and requires that applicable subrecipients have financial and compliance audits performed. To the extent that audits of subrecipients indicate failures to comply with applicable grant requirements, the District assesses the likelihood of grant refunds payable as a result of such noncompliance, and records a liability for amounts management deems to be in excess of amounts recoverable from the subrecipient. Management also assesses the likelihood of noncompliance by subrecipients that have not yet submitted audited results and, to the extent material amounts are believed by management to be refundable, amounts in excess of what management deems recoverable from the subrecipient, is recognized as a liability of the District. Continuation of the District's programs is predicated by the grantor's satisfaction that the funds are being spent as intended and the grantors' intent to continue their programs.

Note 11. Cost Allocation Plan

The District allocates shared costs according to the cost allocation plan. The plan is calculated according to a monthly salary allocation ratio that is calculated for each applicable program. The shared costs are made up of the costs determined to be indirect costs incurred on behalf of all programs.

Operating expenses of the Pennyryle Area Development District are charged as either direct program costs or indirect costs on behalf of all programs. Direct charges to a particular program are as defined in 2 CFR Part 200, Uniform Guidance, which can be identified specifically with a particular program objective. The criteria as used by the District in determining direct and indirect costs are as follows:

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 11. Cost Allocation Plan (Continued)

A. Salaries and Wages

- a. Direct Costs – The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization
- b. The charges are supported by audible labor distribution reports which reflect the actual activities of the employees.
- c. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities:
 - i. Executive Director
 - ii. Administrative Officer
 - iii. Executive Assistant
 - iv. Accounting Clerks
 - v. Website Developer
 - vi. Computer Manager
 - vii. Receptionist

The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs, they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs. Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct / indirect charges.

- d. Release time costs (vacation leave earned, sick leave used, and paid holidays) are considered part of salary costs. Since such costs are part of salary, the recipient does not claim release time as separate charges. Pennyrile ADD's records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is treated as a cost incurred during the period the leave is earned.

B. Fringe Benefits

The District contributes the following fringe benefits for its employees:

- Federal Insurance Contributions Act (Social Security and Medicare)
- Unemployment Insurance
- Health, Dental and Vision Insurance
- Disability Insurance
- Employee Discretionary Insurance Coverage
- Kentucky Retirement System
- Worker's Compensation Insurance
- Life Insurance
- Annual Leave

Since the district's accounting system tracks fringe benefits costs by individual employee and charges those costs directly or indirectly in the same manner as salary and wage costs are recorded, the district does not need to have a fringe benefit rate established.

Payments to separating employees for unused leave are not charged as direct costs to any federal awards.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 11. Cost Allocation Plan (Continued)

C. Travel

Travel costs are charged either as direct or indirect depending upon the predominant purpose of the trip. Auditable travel vouchers support all claimed travel costs. Travel costs are normally limited to those allowable under the Federal Travel Regulations. The District identifies unallowable travel costs (e.g., most first class airfare, excessive lodging costs, and alcoholic beverages) and does not charge them as direct to federal awards or as indirect to any indirect cost pool.

D. Consultants and Contracts

All consultant contracts whose content is directly attributed to specific work elements are to be charged as a direct cost of the program(s) in which they apply.

E. Printing and Duplicating

All printing and duplicating costs which are directly attributable to documents within a specific work element are to be charged as a direct cost. This specifically applies to any printing, which is necessary on required plans and reports. All miscellaneous printing costs are to be charged as indirect service costs.

F. Postage

All postage costs, which are directly attributable to a specific work element, are to be charged as a direct cost. All postage not identifiable with a specific program is considered an indirect cost.

G. Audit Fees

The Pennyrile Area Development District's audit cost for the Agency's annual overall details by specific program are to be charged as a shared administrative cost; except in the case of a specific program or grant requiring a special audit report in which case these fees should be charged against that specific program or grant.

H. Building Rental

All building rental or depreciation and the associated utilities costs is to be charged as a shared service cost.

I. Equipment Rental / Purchases

Depreciation charges, rentals, and usage costs of equipment are generally charged as shared service costs. In some instances, if allowable, depreciation charges, rentals, and usage costs may be charged as a direct cost to the applicable program element. Equipment purchases are not charged as shared costs.

For fiscal year ended June 30, 2022, the shared cost categories that were allocated to all of the programs are as follows:

| | | |
|--------------------|----|-----------------------|
| Salaries | \$ | 299,311 |
| Employee Benefits | | 179,928 |
| Annual Leave | | 24,028 |
| Travel | | 59,757 |
| Duplicating | | 4,040 |
| Postage | | 3,366 |
| Depreciation | | 14,250 |
| Other Direct Costs | | <u>246,354</u> |
| Total Shared Cost | \$ | <u><u>831,034</u></u> |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 12. New GASB Standards

During fiscal year ended June 30, 2022, the District implemented GASB Statement No. 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Upon retrospective application of this standard, the beginning assets and beginning liabilities were impacted. There was a net increase for right of use assets in the amount of \$6,924 and a corresponding net increase for lease liabilities in the amount of \$6,924. There was no financial statement impact to the net position of the District.

During fiscal year ended June 30, 2022, the District implemented GASB Statement No. 89, "Interest Incurred During Construction". This statement eliminates capitalized interest costs during construction for business-type activities. All interest expenses will now be expensed. As the District has no business-type activities, there was no financial statement impact due to this implementation.

During fiscal year ended June 30, 2022, the District implemented a portion of GASB Statement No. 93, "Replacement of Interbank Offered Rates". The primary objective of this statement is to replace citations of London Interbank Offered Rate (LIBOR) with one or more acceptable benchmark reference rates. The implementation of the statement has no impact on the financial statements.

During fiscal year ended June 30, 2022, the District implemented GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Section 457 Plans". The primary objectives of this statement are to increase consistency and comparability related to the reporting of fiduciary component units and mitigate costs associated with the reporting of certain defined contribution pension and OPEB plans, and other employee benefit plans, such as Section 457 plans. The District does not have fiduciary component units, therefore, the implementation of the statement has no impact on the financial statements.

During fiscal year ended June 30, 2022, the District implemented GASB Statement No. 98, "The Annual Comprehensive Financial Report". The primary objective of this statement is to replace "comprehensive annual financial report" and its acronym in generally accepted accounting principles for state and local governments with the term "annual comprehensive financial report" and its acronym "ACFR". The implementation of the statement has no impact on the financial statements.

Note 13. Notes Receivable

A summary of the District's Notes Receivable is as follows:

- A. The District loaned Refine Tile \$250,000 on November 1, 2014, for the purpose of purchasing equipment and fixtures. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance due was \$196,467.
- B. The District loaned Hopkinsville Industrial Foundation \$250,000 on May 22, 2019, to finance leasehold improvements on property. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance due was \$177,140.
- C. The District loaned B & H Butcher Block, LLC \$50,000 on July 16, 2021, for the purpose of purchasing equipment and fixtures. Terms of the agreement stipulate a 5 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance due was \$41,483.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Notes Receivable (Continued)

- D. The District loaned Central Screen Printing, Inc. \$200,000 on May 20, 2022, for the purpose of making improvements to real estate. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance due was \$200,000.
- E. The District loaned Strader Farms, LLC \$25,000 on September 3, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$13,284.
- F. The District loaned Four Season Catering \$25,000 on October 8, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$13,274.
- G. The District loaned Blue Dot Cab Company \$25,000 on October 20, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$14,673.
- H. The District loaned The Bruce Convention Center \$25,000 on November 6, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$15,379.
- I. The District loaned Milkweed Health & Harmony \$22,382 on November 6, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$13,765.
- J. The District loaned Seven Oaks Stone \$25,000 on November 6, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$13,975.
- K. The District loaned Poppy's Meat Shop \$25,000 on November 3, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$15,372.
- L. The District loaned Shaw Trucking \$25,000 on December 1, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$25,000.
- M. The District loaned Dreamfield Lending \$25,000 on December 1, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$16,070.
- N. The District loaned Griffin Auto Sales \$25,000 on January 4, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$18,869.
- O. The District loaned Princeton Pike Tire \$25,000 on January 4, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$18,869.
- P. The District loaned Colonial Motel \$25,000 on December 1, 2020, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$16,070.
- Q. The District loaned Majestic House, LLC \$25,000 on February 19, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$17,449.
- R. The District loaned Regional Door \$25,000 on February 19, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$17,449.
- S. The District loaned Poplar Creek \$25,000 on April 5, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$18,841.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Notes Receivable (Continued)

- T. The District loaned Kentucky Machine \$25,000 on April 6, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$18,838.
- U. The District loaned Brick Oven \$25,000 on April 19, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$18,834.
- V. The District loaned Lily Ann's \$22,432 on April 27, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$22,205.
- W. The District loaned Brothers BBQ \$25,000 on May 3, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$19,603.
- X. The District loaned Artic Refrigeration \$25,000 on May 25, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$20,225.
- Y. The District loaned Place One \$25,000 on May 25, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$20,922.
- Z. The District loaned Bard Distillery \$25,000 on June 28, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$20,915.
- AA. The District loaned TM Liquor and Wine \$25,000 on June 23, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$20,926.
- BB. The District loaned Car Spa, LLC \$11,256 on July 23, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$10,989.
- CC. The District loaned Trophy House \$25,000 on September 3, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$22,292.
- DD. The District loaned Tosha Harris \$15,000 on October 29, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$15,000.
- EE. The District loaned Alesha McDonald \$10,000 on December 3, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$9,745.
- FF. The District loaned Tesha Radford \$15,000 on December 3, 2021, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$14,617.
- GG. The District loaned Ronnie Morris \$3,600 on June 17, 2022, for the purpose of working capital. Terms of the agreement stipulate a 3 year repayment schedule at .5 percent interest. As of June 30, 2022, principal balance was \$3,600.
- HH. The District loaned Navya Pooja, LLC \$80,000 on April 30, 2001, for the purpose of purchasing equipment and fixtures. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance was \$74,490.
- II. The District loaned Bard Distillery \$203,000 on February 23, 2022, for the purpose of working capital. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance was \$199,001.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Notes Receivable (Continued)

- JJ. The District loaned Marion Mining Bolts \$231,500 on March 1, 2013, for the purpose of financing real estate. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance was \$17,251.
- KK. The District loaned Newcom Properties \$247,500 on January 1, 2015, for the purpose of making improvements to real estate. Terms of the agreement stipulate a 10 year repayment schedule at 4 percent interest. As of June 30, 2022, principal balance was \$84,870.

A summary of the component units notes receivable is as follows:

- A. Pennyrile Housing Corporation (PHC) loaned Lisa Robertson Owen \$23,000 on December 12, 2005, for the purpose of improvements in real estate. Terms of the agreement stipulate a 20 year repayment schedule at 6 percent interest. As of June 30, 2022, principal balance was \$7,681.
- B. PHC loaned Wilma Gilford \$25,000 on February 6, 2008, for the purpose of improvements in real estate. Terms of the agreement stipulate a 20 year repayment schedule at 6 percent interest. As of June 30, 2022, principal balance was \$10,327.
- C. PHC loaned Cora Tolliver \$4,000 on April 1, 2008, for the purpose of improvements in real estate. Terms of the agreement stipulate a 10 year repayment schedule at 6 percent interest. As of June 30, 2022, principal balance was \$652.
- D. PHC loaned Mark Steele \$11,246 on September 2, 2014, for the purpose of improvements in real estate. Terms of the agreement stipulate a 10 year repayment schedule at 6 percent interest. As of June 30, 2022, principal balance was \$9,943.
- E. PHC loaned Katherine Hurt \$11,710 on October 23, 2017, for the purpose of improvements in real estate. Terms of the agreement stipulate a 10 year repayment schedule at 6 percent interest. As of June 30, 2022, principal balance was \$10,875.
- F. PHC loaned Sheila Hampton \$5,630 on July 23, 2021, for the purpose of improvements in real estate. Terms of the agreement stipulate a 10 year repayment schedule at 6 percent interest. As of June 30, 2022, principal balance was \$5,288.

**PENNYRILE AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND AND SPECIAL REVENUE FUND
Required Supplementary Information - Budgetary Basis**

For The Year Ended June 30, 2022

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**PENNYRILE AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND AND SPECIAL REVENUE FUND
Required Supplementary Information - Budgetary Basis**

For The Year Ended June 30, 2022

| | GENERAL AND SPECIAL REVENUE FUNDS | | | |
|--|--|-------------------|---|---|
| | Budgeted Amounts | | Actual Amounts - Budgetary Basis | Variance with Final Budget Favorable (Unfavorable) |
| | Original | Final | | |
| REVENUES | | | | |
| Federal and State Grants | \$10,783,400 | \$11,500,139 | \$ 9,650,464 | \$ (1,849,675) |
| Annual Assessments | 98,687 | 98,711 | 98,711 | |
| Interest Income | 2,000 | 2,000 | 5,348 | 3,348 |
| Other Revenues | 371,760 | 474,236 | 341,889 | (132,347) |
| Total Revenues | 11,255,847 | 12,075,086 | 10,096,412 | (1,978,674) |
| EXPENDITURES | | | | |
| Direct Expenditures | | | | |
| Salaries | 1,359,463 | 1,276,082 | 1,219,335 | 56,747 |
| Employee Benefits | 777,858 | 728,510 | 725,881 | 2,629 |
| Annual Leave | 80,618 | 74,098 | 84,162 | (10,064) |
| Travel | 151,150 | 149,150 | 89,678 | 59,472 |
| Contracted Services | 8,290,721 | 8,767,659 | 7,361,966 | 1,405,693 |
| Duplicating | 21,855 | 21,900 | 14,376 | 7,524 |
| Postage | 14,850 | 14,850 | 10,999 | 3,851 |
| Depreciation | 30,000 | 30,000 | 14,250 | 15,750 |
| Other Direct Costs | 163,049 | 393,160 | 426,685 | (33,525) |
| Shared Costs Applied | | | (292,218) | 292,218 |
| Total Expenditures | 10,889,564 | 11,455,409 | 9,655,114 | 1,800,295 |
| Excess (Deficiency) of Revenues Over Expenditures | 366,283 | 619,677 | 441,298 | (178,379) |
| Net Changes in Fund Balance | \$ 366,283 | \$ 619,677 | \$ 441,298 | \$ (178,379) |

**PENNYRILE AREA DEVELOPMENT DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND AND SPECIAL REVENUE FUND
 Required Supplementary Information - Budgetary Basis
 June 30, 2022
 (Continued)**

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources / Inflows of Resources

| | |
|---|-----------------------------|
| Actual Amounts (Budgetary Basis) "Total Revenues" from the Budgetary Comparison Schedule | \$ 10,096,412 |
| Differences - Budget to GAAP | |
| The in-kind revenue impacts revenue but not budgetary inflows. | 264,791 |
| Payments on notes receivables received impacts revenue but not budgetary inflows. | 415,869 |
| Contributed capital from revolving loan funds impacts revenue but not budgetary inflows. | 79,856 |
| Proceeds from debt related to lease liabilities impacts revenue but not budgetary inflows. | <u>6,777</u> |
| Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance | <u>\$ 10,863,705</u> |

Uses / Outflows of Resources

| | |
|---|-----------------------------|
| Actual Amounts (Budgetary Basis) "Total Expenditures" from the Budgetary Comparison Schedule | \$ 9,655,114 |
| Differences - Budget to GAAP | |
| The in-kind expenditures impact the expenditures but not budgetary outflows. | 264,791 |
| Capital outlays are expenditures but not budgetary outflows. | 32,938 |
| (Increase)/decrease in accrued annual leave are budgetary outflows but not expenditures. | 11,853 |
| Shared depreciation is included in budgetary outflows but not expenditures. | (9,165) |
| Issuance of loans related to notes receivable impacts expenditures but not budgetary outflows. | <u>532,856</u> |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance | <u>\$ 10,488,387</u> |

**PENNYRILE AREA DEVELOPMENT DISTRICT
CERS PENSION AND OPEB SCHEDULES
Required Supplementary Information**

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PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYMENT RETIREMENT SYSTEM
Required Supplementary Information
For the years ended June 30

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Net Pension Liability (Asset) for County Employee Retirement System | \$ 6,375,784,388 | \$ 7,669,917,211 | \$ 7,033,044,552 | \$ 6,090,304,793 | \$ 5,853,307,463 | \$ 4,923,618,237 | \$ 4,299,525,565 | \$ 3,244,376,263 |
| Pennyrile Area Development District's Proportion of the Net Pension Liability (Asset) | 0.069217% | 0.069114% | 0.067170% | 0.074377% | 0.075167% | 0.074476% | 0.078550% | 0.081091% |
| Pennyrile Area Development District's Proportionate Share of the Net Pension Liability (Asset) | \$ 4,413,127 | \$ 5,300,987 | \$ 4,724,096 | \$ 4,529,786 | \$ 4,399,756 | \$ 3,666,933 | \$ 3,377,279 | \$ 2,630,890 |
| Pennyrile Area Development District's Covered Payroll | \$ 1,753,963 | \$ 1,767,990 | \$ 1,770,342 | \$ 1,694,303 | \$ 1,841,775 | \$ 1,847,305 | \$ 1,809,114 | \$ 1,832,682 |
| Pennyrile Area Development District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 251.61% | 299.83% | 266.85% | 267.35% | 238.89% | 198.50% | 186.68% | 143.55% |
| Plan Fiduciary Net Position as a Percentage of the Total Net Position | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% |

*The amounts presented were determined as of June 30 of the prior fiscal year

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented as they become available.

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS – PENSION
COUNTY EMPLOYEE RETIREMENT SYSTEM
Required Supplementary Information
For the years ended June 30**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Pension Contributions | \$ 371,314 | \$ 341,222 | \$ 341,676 | \$ 274,816 | \$ 266,689 | \$ 257,699 | \$ 224,692 | \$ 233,667 | \$ 255,613 |
| Contributions in Relation to the Contractually Required Pension Contribution | <u>(371,314)</u> | <u>(341,222)</u> | <u>(341,676)</u> | <u>(274,816)</u> | <u>(266,689)</u> | <u>(257,699)</u> | <u>(224,692)</u> | <u>(233,667)</u> | <u>(255,613)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> |
| Pennyrile Area Development District's Covered Payroll | \$ 1,753,963 | \$ 1,767,990 | \$ 1,770,342 | \$ 1,694,303 | \$ 1,841,775 | \$ 1,847,305 | \$ 1,809,114 | \$ 1,832,682 | \$ 1,860,357 |
| Pension Contributions as a Percentage of Pennyrile Area Development District's Covered Payroll | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% | 13.74% |

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented as they become available.

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER
POST-EMPLOYMENT BENEFITS LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
Required Supplementary Information
For the years ended June 30**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Total Net Other Post-Employment Benefits Liability (Asset) for County Employee Retirement System | \$ 1,914,449,967 | \$ 2,414,695,884 | \$ 1,681,954,950 | \$ 1,775,480,122 | \$ 2,010,342,058 |
| Pennyrile Area Development District's Proportion of the Net Other Post-Employment Benefits Liability (Asset) | 0.069201% | 0.069094% | 0.067152% | 0.074374% | 0.075167% |
| Pennyrile Area Development District's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset) | \$ 1,324,819 | \$ 1,668,410 | \$ 1,129,466 | \$ 1,320,496 | \$ 1,511,114 |
| Pennyrile Area Development District's Covered Payroll | \$ 1,753,963 | \$ 1,767,990 | \$ 1,770,342 | \$ 1,694,303 | \$ 1,841,775 |
| Pennyrile Area Development District's Proportionate Share of the Net Other Post-Employment Benefits Liability as a Percentage of Its Covered Payroll | 75.53% | 94.37% | 63.80% | 77.94% | 82.05% |
| Plan Fiduciary Net Position as a Percentage of the Total Net Position | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% |

*The amounts presented were determined as of June 30 of the prior fiscal year.

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented as they become available.

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS – OTHER
POST-EMPLOYMENT BENEFITS
COUNTY EMPLOYEE RETIREMENT SYSTEM
Required Supplementary Information
For the years ended June 30**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Other Post-Employment Benefits Contribution (Implicit Subsidy Omitted) | \$ 101,379 | \$ 84,156 | \$ 84,268 | \$ 89,121 | \$ 86,564 | \$ 87,378 |
| Contribution in Relation to the Contractually Required Other Post- Employment Benefits Contribution | <u>(101,379)</u> | <u>(84,156)</u> | <u>(84,268)</u> | <u>(89,121)</u> | <u>(86,564)</u> | <u>(87,378)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Pennyrile Area Development District's Covered Payroll | \$ 1,753,963 | \$ 1,767,990 | \$ 1,770,342 | \$ 1,694,303 | \$ 1,841,775 | \$ 1,847,305 |
| Contributions as a Percentage of Pennyrile Area Development District's Covered Payroll | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% |

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented as they become available.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2022

Note 1. Budgetary Information

The District adopts a budget conforming with the requirements established by KRS 65A.020 annually prior to the start of the fiscal year to which the budget applies. Any amendments made during the year follow the same approval process that was used for the adoption of the original budget.

Note 2. Budgetary Excess of Disbursements Over Appropriations

The general fund and special revenue fund exceeded budgeted appropriations in the following line items: annual leave by \$10,064 and other direct costs by \$33,525.

Note 3. Pensions and OPEB – Changes of Benefit Terms

Senate Bill 169 passed during the 2021 legislative session, which increased the disability benefit for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2022 is determined using these updated benefit provisions.

Note 4. Pensions and OPEB – Changes of Assumptions

There have been no actuarial assumption or method changes since June 30, 2020 for the pension plan.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumptions, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan’s anticipated long-term healthcare costs. There were no other material assumption changes for OPEB.

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**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Fiscal Year Ended June 30, 2022

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**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Fiscal Year Ended June 30, 2022

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity's Identifying Number</u> | <u>Passed Through to Subrecipient</u> | <u>Total Federal Expenditures</u> |
|---|--|---|---|---|
| <u>U. S. Department of Commerce</u> | | | | |
| Passed-Through Department for Local Government Economic Development Support For Planning Organizations | 11.302 | MOA* | \$ | \$ 87,881 |
| Economic Development Cluster Passed-Through Department for Local Government COVID-19 Economic Adjustment Assistance - EDA CARES Act | 11.307 | PON2 112 210000404 | | 158,566 |
| Passed-Through Economic Development Administration COVID-19 Economic Adjustment Assistance (RLF CARES) (Note 5) | 11.307 | 04-79-07509 | | 752,845 |
| Economic Adjustment Assistance (RLF) (Note 5) | 11.307 | 04-79-06079 | | 1,028 |
| Total Economic Development Cluster | | | | 912,439 |
| Total U.S. Department of Commerce | | | | 1,000,320 |
| <u>U.S. Environmental Protection Agency</u> | | | | |
| Passed-Through University of Kentucky Research Foundation Environmental Health - State Indoor Radon Grants | 93.113 | 3200003101-20-299 | | 25,307 |
| Total U.S. Environmental Protection Agency | | | | 25,307 |
| <u>U. S. Department of Health and Human Services</u> | | | | |
| Passed-Through Kentucky Cabinet for Health and Family Services Aging Cluster | | | | |
| Special Programs For The Aging Title III Part B, Grants for Supportive Services and Senior Centers | 93.044 | PON2 725 2100002005 | 158,847 | 233,341 |
| COVID-19 (ARPA) - Special Programs For The Aging Title III Part B, Grants for Supportive Services and Senior Centers | 93.044 | PON2 725 2100002005 | 20,083 | 30,015 |
| Special Programs For The Aging Title III Part B, Grants for Supportive Services and Senior Centers | 93.044 | PON2 725 2000004400 | | 20,330 |
| Total Special Programs For The Aging Title III Part B, Grants for Supportive Services and Senior Centers | | | 178,930 | 283,686 |
| Special Programs For the Aging - Title III Part C - Nutrition Services COVID-19 (CRRSSA) - Special Programs For the Aging - Title III Part C - Nutrition Services | 93.045 | PON2 725 2100002005 | 618,489 | 637,278 |
| Total Title III Part C - Nutrition Services | 93.045 | PON2 725 2100002005 | | 8,150 |
| | | | 618,489 | 645,428 |
| Nutrition Services Incentive | 93.053 | PON2 725 2100003024 | 111,981 | 111,981 |
| Total Aging Cluster | | | 909,400 | 1,041,095 |
| Title III Part D - Disease Prevention | 93.043 | PON2 725 2100002005 | 17,152 | 17,152 |
| Title III Part E - Caregiver Support | 93.052 | PON2 725 2100002005 | | 76,616 |
| COVID-19 (ARPA) - Title III Part E - Caregiver Support | 93.052 | PON2 725 2100002005 | | 820 |
| Total Title III Part E - Caregiver Support | | | | 77,436 |
| Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations | 93.324 | PON2 725 2000003467 | 29,187 | 30,723 |
| Medical Assistance Program | 93.778 | PON2 725 2000004400 | | 59,295 |
| Title VII - Ombudsman | 93.042 | PON2 725 2100001810 | | 9,423 |
| Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation | 93.041 | PON2 725 2100001810 | | 4,250 |
| Public Health Emergency Preparedness | 93.069 | PON2 725 2000002444 | | 998 |
| Medicare Enrollment Assistance Program | 93.071 | PON2 725 2100003105 | 15,591 | 33,122 |

The accompanying notes are an integral part of this schedule.

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2022**

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity's Identifying Number</u> | <u>Passed Through to Subrecipient</u> | <u>Total Federal Expenditures</u> |
|---|--|---|---|---|
| <u>U. S. Department of Health and Human Services (Continued)</u> | | | | |
| Passed-Through National Council on Aging National Organizations of State and Local Officials | 93.011 | 1 U3SHS42187-01-00 | \$ | \$ 20,000 |
| Passed-Through US Aging National Organizations of State and Local Officials | 93.011 | 1 U3SHS42187-01-00 | | 23,955 |
| Passed-Through University of Kentucky Research Foundation Environmental Health (State Indoor Radon Grants) | 93.113 | 3200003101-20-299 | | 25,307 |
| Passed-Through Kentucky Administrative Office of the Courts Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | PON2 2100000274 | | 8,059 |
| Total U.S. Department of Health and Human Services | | | 971,330 | 1,350,815 |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed-Through Todd County Fiscal Court BRIC: Building Resilient Infrastructure and Communities | 97.047 | MOA* | | 36,889 |
| Total U.S. Department of Homeland Security | | | | 36,889 |
| <u>U.S. Department of Labor</u> | | | | |
| Passed-Through Kentucky Cabinet for Health and Family Services Senior Community Service Employment Program (Title V Aging) Workforce Innovation and Opportunity Act (WIOA) National Dislocated Worker Grants (NDWG) / Workforce Investment Act (WIA) | 17.235 | PON2 725 2000002889 | 136,173 | 146,960 |
| National Emergency Grants (NEG) | 17.277 | DW-34024-19-60-A-21 | | 85,653 |
| Passed-Through Kentucky Labor Cabinet Trade Adjustment Assistance | 17.245 | 20519 | | 68,269 |
| Trade Adjustment Assistance | 17.245 | 20520 | 66,958 | 487,585 |
| Passed-Through Northern Middle Tennessee Local Workforce Development Board WIOA NDWG / WIA NEG | 17.277 | WIOA-KY-CSWP | | 34,244 |
| Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce, Office of Employment and Training WIOA NDWG / WIA NEG | 17.277 | 258CV20 | 7,655 | 93,681 |
| WIOA NDWG / WIA NEG | 17.277 | 258CV21 | 37,345 | 304,251 |
| WIOA NDWG / WIA NEG | 17.277 | 258KT22 | 97,648 | 243,623 |

The accompanying notes are an integral part of this schedule.

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2022**

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity's Identifying Number</u> | <u>Passed Through to Subrecipient</u> | <u>Total Federal Expenditures</u> |
|--|--|---|---|---|
| <u>U.S. Department of Labor (Continued)</u> | | | | |
| Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce, Office of Employment and Training (Continued) | | | | |
| <u>WIOA Cluster</u> | | | | |
| WIOA Adult Program | 17.258 | 27021 | \$ | \$ 313 |
| WIOA Adult Program | 17.258 | 27321 | 176,407 | 524,698 |
| WIOA Adult Program | 17.258 | 27022 | 49,819 | 119,423 |
| WIOA Adult Program | 17.258 | 27322 | 55,445 | 250,565 |
| WIOA Youth Activities | 17.259 | 27421 | 18,121 | 245,403 |
| WIOA Youth Activities | 17.259 | 27422 | 40,216 | 541,750 |
| WIOA Dislocated Worker Formula Grants | 17.278 | 27220 | 21,780 | 21,780 |
| WIOA Dislocated Worker Formula Grant | 17.278 | 27120 | 55,132 | 75,165 |
| WIOA Dislocated Worker Formula Grant | 17.278 | 27221 | 14,857 | 85,733 |
| WIOA Dislocated Worker Formula Grant | 17.278 | 27121 | 242,387 | 958,619 |
| WIOA Dislocated Worker Formula Grant | 17.278 | 27222 | 26,080 | 82,419 |
| Total WIOA Cluster | | | 700,244 | 2,905,868 |
| Total U.S. Department of Labor | | | <u>1,046,023</u> | <u>4,370,134</u> |
| <u>U.S. Department of the Treasury</u> | | | | |
| Passed-Through Kentucky Cabinet for Health and Family Services | | | | |
| Coronavirus State and Local Fiscal Recovery Funds (Expanded Senior Meal Planning) | 21.027 | PON2 725 2100002005 | 553,368 | 602,989 |
| Total U.S. Department of the Treasury | | | <u>553,368</u> | <u>602,989</u> |
| <u>Delta Regional Authority</u> | | | | |
| Passed-Through Department for Local Government | | | | |
| Delta Regional Development (Technical Assistance) | 90.200 | SF424 | | 18,969 |
| Total Delta Regional Authority | | | | <u>18,969</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,570,721</u> | <u>\$ 7,380,116</u> |

* Memorandum of Agreement (MOA)

The accompanying notes are an integral part of this schedule.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2022

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not represent the financial position, changes in net assets, or cash flows for the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The District uses a Cost Allocation Plan methodology as defined in Appendix VII, Part 200, Section F3.

Note 4. Federal Expenditure Reconciliation

The District participates in certain federal programs that involve the loaning of monies to third parties. In accordance with Uniform Guidance, federal expenditures reflected in this schedule include the value of new loans made during the year plus: the federal share of loans outstanding, cash, and administrative costs incurred during the fiscal year.

| | |
|----------------------------|--------------|
| Federal Expenditures | \$ 6,626,243 |
| RLF Project Funds | 1,028 |
| RLF CARES Project Funds | 752,845 |
| Total Federal Expenditures | \$ 7,380,116 |

Note 5. Revolving Loan Federal Expenditures Calculation

During fiscal year ended June 30, 2022, the Revolving Loan Fund was defederalized.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022
(Continued)

Note 5. Revolving Loan Federal Expenditures Calculation (Continued)

The following amounts were used to calculate the federal expenditures for the Economic Adjustment Assistance Loan Program:

| RLF | |
|------------------------------|-----------------|
| Loan Receivable at 6/30/2022 | \$ |
| Cash in Bank | |
| Administrative Expenses | 1,344 |
| Total | 1,344 |
| Federal Share | 76.50% |
| | <u>\$ 1,028</u> |

| RLF CARES | |
|------------------------------|-------------------|
| Loan Receivable at 6/30/2022 | \$ 487,048 |
| Cash in Bank | 231,571 |
| Administrative Expenses | 34,226 |
| Total | 752,845 |
| Federal Share | 100.00% |
| | <u>\$ 752,845</u> |

Note 6. WKWB Reconciliation

| | |
|---|---------------------|
| Kentucky Education and Workforce Development Cabinet | \$ 3,547,423 |
| Increases (Decreases) | |
| Direct Funding from Workforce Innovation and Opportunity National Dislocated Worker Grants / Workforce Investment Act National Emergency Grant | \$ 85,653 |
| Funding from Northern Middle Tennessee Local Workforce Development Board from Workforce Innovation and Opportunity National Dislocated Worker Grants / Workforce Investment Act National Emergency Grant | 34,244 |
| Funding from Kentucky Labor Cabinet Trade Adjustment Assistance | 555,854 |
| Funding from Kentucky Administrative Office of the Courts Substance Abuse and Mental Health Services Projects of Regional and National Significance | <u>8,059</u> |
| Workforce Board Expenditures | <u>\$ 4,231,233</u> |

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022
(Continued)

Note 7. Subrecipients

Of the federal expenditures presented in the schedule, the Pennyrile Area Development District provided federal awards to the following subrecipients:

| <u>Subrecipient</u> | <u>Program Title</u> | <u>Amount Provided</u> |
|--|--|------------------------|
| Pennyrile Allied Community Services, Inc. | Title III | \$ 797,821 |
| | SHIP | 29,187 |
| | Title V - Senior Community Service Employment Program | 136,173 |
| | USDA | 111,981 |
| | Coronavirus State and Local Fiscal | 553,368 |
| | Medicare Enrollment Assistance Program | <u>15,591</u> |
| | Subrecipient Total | <u>\$ 1,644,121</u> |
| Kentucky Legal Aid | Title III | <u>\$ 16,750</u> |
| | Subrecipient Total | <u>\$ 16,750</u> |
| Purchase Area Development District | WIOA Funds | <u>\$ 909,850</u> |
| | Subrecipient Total | <u>\$ 909,850</u> |

**PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM
Supplementary Information**

For The Year Ended June 30, 2022

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PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM
Supplementary Information

For The Year Ended June 30, 2022

| | Unrestricted Local Operations | Joint Funding Administration | Local Economic Development | Campbell Strong | Delta Regional Authority |
|--|--|---|---|----------------------------|---|
| Revenues | | | | | |
| Federal | \$ | \$ 87,881 | \$ | \$ | \$ 18,969 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | | 120,292 | | | |
| Local | | | | | |
| Annual Assessments | 98,711 | | | | |
| Interest Income | 3,694 | | | | |
| Local Match | (13,549) | | | | |
| Local Applied Grants | (4,040) | 681 | | | |
| Other Revenues | 34,795 | | 250,347 | 10,000 | |
| In-Kind Revenues | | | | | |
| Total Revenues | 119,611 | 208,854 | 250,347 | 10,000 | 18,969 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | | 87,315 | 39,252 | 4,259 | 6,958 |
| Employe Benefits | | 52,844 | 21,990 | 2,423 | 4,564 |
| Annual Leave | | 5,651 | 2,555 | 424 | 465 |
| Travel | 1,573 | 4,991 | 807 | | 2,322 |
| Contracted Services | | | | | |
| Duplicating | | 841 | | | 264 |
| Postage | | 61 | 2 | | 19 |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | 62,022 | 6,166 | 2,118 | | |
| In-Kind Expenditures | | | | | |
| Total Direct Expenditures | 63,595 | 157,869 | 66,724 | 7,106 | 14,592 |
| Shared Costs Applied | | 50,984 | 22,758 | 2,460 | 4,377 |
| Total Expenditures | 63,595 | 208,853 | 89,482 | 9,566 | 18,969 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 56,016 | \$ 1 | \$ 160,865 | \$ 434 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Hazard Mitigation | Todd County Land Acquisition | Ky Department for Libraries and Archives | Pennyrile Housing Corporation | University of KY Radon Project |
|--|------------------------------|---|---|--|---|
| Revenues | | | | | |
| Federal | \$ 36,889 | \$ | \$ | \$ | \$ 25,307 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | 12,296 | 307,692 | 985 | | |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | 1,561 | |
| Local Match | | | | | 1,644 |
| Local Applied Grants | | | | | |
| Other Revenues | | | | | |
| In-Kind Revenues | | | | | |
| Total Revenues | 49,185 | 307,692 | 985 | 1,561 | 26,951 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 26,798 | | 666 | | 7,422 |
| Employe Benefits | 7,501 | | 56 | | 3,505 |
| Annual Leave | 950 | | | | 741 |
| Travel | 778 | | | | |
| Contracted Services | | 307,692 | | | 11,338 |
| Duplicating | | | | | |
| Postage | | | | | |
| Depreciation | | | | | |
| Interest | | | | 659 | |
| Other Direct Costs | 443 | | | 165 | |
| In-Kind Expenditures | | | | | |
| Total Direct Expenditures | 36,470 | 307,692 | 722 | 824 | 23,006 |
| Shared Costs Applied | 12,715 | | 263 | | 3,945 |
| Total Expenditures | 49,185 | 307,692 | 985 | 824 | 26,951 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ 737 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | EDA CARES | Intermediary Relending Program | Revolving Loan Fund | Revolving Loand Fund CARES | Water Management/ Resources |
|--|--------------|--------------------------------------|---------------------------|----------------------------------|-----------------------------------|
| Revenues | | | | | |
| Federal | \$ | \$ | \$ | \$ | \$ |
| Federal - CARES | 158,566 | | | 34,226 | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | | | | | 71,000 |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | 17,104 | 10,825 | 2,768 | |
| Local Match | | | | | |
| Local Applied Grants | | | | | 569 |
| Other Revenues | | 300 | | 6,626 | |
| In-Kind Revenues | | | | | |
| Total Revenues | 158,566 | 17,404 | 10,825 | 43,620 | 71,569 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 36,443 | 1,155 | 1,274 | 8,287 | 31,205 |
| Employe Benefits | 18,990 | 808 | 884 | 4,830 | 15,780 |
| Annual Leave | 2,823 | 106 | 128 | 787 | 1,926 |
| Travel | 1,624 | | | | 3,543 |
| Contracted Services | 77,068 | | | 22,285 | |
| Duplicating | | | | | |
| Postage | | | | | |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | 633 | (197) | 125 | | 1,787 |
| In-Kind Expenditures | | | | | |
| Total Direct Expenditures | 137,581 | 1,872 | 2,411 | 36,189 | 54,241 |
| Shared Costs Applied | 20,985 | 716 | 768 | 4,663 | 17,328 |
| Total Expenditures | 158,566 | 2,588 | 3,179 | 40,852 | 71,569 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 14,816 | \$ 7,646 | \$ 2,768 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Regional Transportation | Local Road Updates | Aging | | |
|--|----------------------------|--------------------------|-------------------------------|--------------------------------|--------------------------------|
| | | | Title III B Administration | Title III C1 Administration | Title III C2 Administration |
| Revenues | | | | | |
| Federal | \$ | \$ | \$ 15,506 | \$ 14,398 | \$ 4,391 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | 8,150 |
| Federal - ARPA | | | 9,932 | | |
| Federal - ESMP | | | | 20,423 | 29,198 |
| State | 78,254 | 10,390 | 23,309 | 10,806 | 5,765 |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | | |
| Local Match | 6,232 | | | | 1,683 |
| Local Applied Grants | | | | | |
| Other Revenues | | | | | |
| In-Kind Revenues | | | | | |
| Total Revenues | 84,486 | 10,390 | 48,747 | 45,627 | 49,187 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 38,077 | 4,600 | 18,263 | 18,320 | 17,713 |
| Employee Benefits | 18,429 | 2,176 | 10,781 | 11,158 | 10,902 |
| Annual Leave | 3,638 | 239 | 1,523 | 1,622 | 1,554 |
| Travel | 1,923 | 398 | 734 | 48 | 80 |
| Contracted Services | | | | | |
| Duplicating | 60 | | 371 | 371 | 371 |
| Postage | 35 | | 263 | 264 | 264 |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | 2,499 | 516 | 6,214 | 2,981 | 7,660 |
| In-Kind Expenditures | | | | | |
| Total Direct Expenditures | 64,661 | 7,929 | 38,149 | 34,764 | 38,544 |
| Shared Costs Applied | 19,825 | 2,461 | 10,598 | 10,863 | 10,643 |
| Total Expenditures | 84,486 | 10,390 | 48,747 | 45,627 | 49,187 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Aging | | | | |
|--|-------------------------------|-------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | Title III E Administration | Title III Supportive Services | Title III Congregate Meals | Title III Home Delivered Meals | Title III Disease Prevention |
| Revenues | | | | | |
| Federal | \$ 4,872 | \$ 198,169 | \$ 224,367 | \$ 394,122 | \$ 17,152 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | 820 | 20,083 | | | |
| Federal - ESMP | | | 255,921 | 297,447 | |
| State | 10,723 | 304,840 | 22,904 | 30,272 | |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | | |
| Local Match | 1,576 | | | | |
| Local Applied Grants | | | | | |
| Other Revenues | | | | | |
| In-Kind Revenues | | 14,865 | 112,346 | 40,754 | 24,650 |
| Total Revenues | 17,991 | 537,957 | 615,538 | 762,595 | 41,802 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 7,324 | 48,284 | | | |
| Employee Benefits | 4,589 | 33,734 | | | |
| Annual Leave | 628 | 3,233 | | | |
| Travel | | 517 | | | |
| Contracted Services | | 404,433 | 503,192 | 721,841 | 17,152 |
| Duplicating | 371 | 21 | | | |
| Postage | 264 | 23 | | | |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | 431 | 3,093 | | | |
| In-Kind Expenditures | | 14,865 | 112,346 | 40,754 | 24,650 |
| Total Direct Expenditures | 13,607 | 508,203 | 615,538 | 762,595 | 41,802 |
| Shared Costs Applied | 4,384 | 29,754 | | | |
| Total Expenditures | 17,991 | 537,957 | 615,538 | 762,595 | 41,802 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Aging | | | | |
|--|--------------|--|---|---|-----------------------|
| | NSIP | Title V Senior Employment | Federal Caregiver Services | Disability Resource Center | MIPPA ADRC |
| Revenues | | | | | |
| Federal | \$ 111,981 | \$ 146,960 | \$ 71,744 | \$ 59,295 | \$ 7,142 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | | | 84,935 | 20,484 | |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | | |
| Local Match | | | | | |
| Local Applied Grants | | 52 | 2,413 | | 53 |
| Other Revenues | | | | | |
| In-Kind Revenues | | 16,794 | | | |
| Total Revenues | 111,981 | 163,806 | 159,092 | 79,779 | 7,195 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | | 4,438 | 31,344 | 35,673 | 3,019 |
| Employe Benefits | | 2,709 | 14,742 | 28,125 | 1,972 |
| Annual Leave | | 348 | 1,292 | 2,160 | 204 |
| Travel | | 16 | 1,432 | 29 | 53 |
| Contracted Services | 111,981 | 136,173 | 86,548 | | |
| Duplicating | | | 836 | 167 | 126 |
| Postage | | | 596 | 189 | |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | | 791 | 5,471 | 4,827 | |
| In-Kind Expenditures | | 16,794 | | | |
| Total Direct Expenditures | 111,981 | 161,269 | 142,261 | 71,170 | 5,374 |
| Shared Costs Applied | | 2,537 | 16,831 | 23,816 | 1,821 |
| Total Expenditures | 111,981 | 163,806 | 159,092 | 94,986 | 7,195 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ (15,207) | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Aging | | | | |
|--|----------------------|-----------------------|--|--|--|
| | MIPPA AAA | MIPPA SHIP | Participant Directed Services | Functional Assessment Services Team | Mental Health & Aging Coalition |
| Revenues | | | | | |
| Federal | \$ 10,389 | \$ 15,591 | \$ | \$ 998 | \$ |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | | | 3,296,160 | | 506 |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | | |
| Local Match | | | | | |
| Local Applied Grants | | | | | |
| Other Revenues | | | 211 | | |
| In-Kind Revenues | | 2,421 | | | |
| Total Revenues | 10,389 | 18,012 | 3,296,371 | 998 | 506 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 4,292 | | 243,968 | 223 | |
| Employee Benefits | 2,846 | | 154,783 | 134 | |
| Annual Leave | 302 | | 13,968 | 15 | |
| Travel | 147 | | 5,817 | | |
| Contracted Services | | 15,591 | 2,614,399 | | |
| Duplicating | 126 | | 1,862 | | |
| Postage | 2 | | 3,207 | | |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | | | 8,772 | 484 | 822 |
| In-Kind Expenditures | | 2,421 | | | |
| Total Direct Expenditures | 7,715 | 18,012 | 3,046,776 | 856 | 822 |
| Shared Costs Applied | 2,674 | | 146,796 | 142 | |
| Total Expenditures | 10,389 | 18,012 | 3,193,572 | 998 | 822 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 102,799 | \$ 0 | \$ (316) |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Aging | | | | |
|--|--|----------------------------------|------------------------|-------------|-------------------------------|
| | State Long- Term Care Ombudsman | Title III B Ombudsman | Elder Abuse | SHIP | Title VI Ombudsman |
| Revenues | | | | | |
| Federal | \$ | \$ 19,666 | \$ 4,250 | \$ 30,723 | \$ 9,423 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | 61,931 | 2,965 | | | |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | | |
| Local Match | | | 750 | | 1,663 |
| Local Applied Grants | | | | 272 | |
| Other Revenues | | | | | |
| In-Kind Revenues | | | | 2,584 | |
| Total Revenues | 61,931 | 22,631 | 5,000 | 33,579 | 11,086 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 25,458 | 9,474 | 2,066 | 651 | 4,582 |
| Employe Benefits | 14,681 | 5,454 | 1,189 | 396 | 2,638 |
| Annual Leave | 1,886 | 712 | 155 | 56 | 344 |
| Travel | 935 | 350 | 76 | | 170 |
| Contracted Services | | | | 29,187 | |
| Duplicating | 1,122 | 413 | 90 | | 200 |
| Postage | 286 | 96 | 21 | | 46 |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | 2,880 | 582 | 193 | 299 | 427 |
| In-Kind Expenditures | | | | 2,584 | |
| Total Direct Expenditures | 47,248 | 17,081 | 3,790 | 33,173 | 8,407 |
| Shared Costs Applied | 14,683 | 5,550 | 1,210 | 406 | 2,679 |
| Total Expenditures | 61,931 | 22,631 | 5,000 | 33,579 | 11,086 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | Aging | | | | |
|--|------------------------------|--|--|------------------------------|-------------------------------|
| | Homecare Services | Disaster Aging Services | Crittenden County Vaccine Grant | N4A Vaccine Grant | NCOA Vaccine Grant |
| Revenues | | | | | |
| Federal | \$ | \$ | \$ | \$ 23,955 | \$ 20,000 |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | 633,650 | 14,784 | | | |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | | | |
| Local Match | | | | | |
| Local Applied Grants | | | | | |
| Other Revenues | | | 1,229 | | |
| In-Kind Revenues | 50,377 | | | | |
| Total Revenues | 684,027 | 14,784 | 1,229 | 23,955 | 20,000 |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 47,737 | 6,190 | 515 | | 1,494 |
| Employee Benefits | 32,768 | 3,834 | 228 | | 628 |
| Annual Leave | 3,252 | 471 | 32 | | 85 |
| Travel | 986 | | 106 | | |
| Contracted Services | 508,968 | | | | |
| Duplicating | 1,012 | | 43 | | 55 |
| Postage | 725 | | | | |
| Depreciation | | | | | |
| Interest | | | | | |
| Other Direct Costs | 9,025 | 55 | | 23,955 | 16,908 |
| In-Kind Expenditures | 50,377 | | | | |
| Total Direct Expenditures | 654,850 | 10,550 | 924 | 23,955 | 19,170 |
| Shared Costs Applied | 29,177 | 4,234 | 305 | | 830 |
| Total Expenditures | 684,027 | 14,784 | 1,229 | 23,955 | 20,000 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | <u>Aging</u> | | <u>Veterans Directed Benefits</u> | <u>Pennyrile Dev. & Gov't Center</u> | <u>Computer Services</u> |
|--|---------------|-------------------|---|--|------------------------------|
| | <u>CDC</u> | <u>PCHP</u> | | | |
| Revenues | | | | | |
| Federal | \$ 20,330 | \$ | \$ | \$ | \$ |
| Federal - CARES | | | | | |
| Federal - CRRSSA | | | | | |
| Federal - ARPA | | | | | |
| Federal - ESMP | | | | | |
| State | | | | | |
| Local | | | | | |
| Annual Assessments | | | | | |
| Interest Income | | | 270 | 66 | |
| Local Match | | | | | |
| Local Applied Grants | | | | | |
| Other Revenues | | 7,422 | 2,096,792 | 46,203 | 1,140 |
| In-Kind Revenues | | | | | |
| Total Revenues | <u>20,330</u> | <u>7,422</u> | <u>2,097,062</u> | <u>46,269</u> | <u>1,140</u> |
| Expenditures | | | | | |
| Direct Expenditures | | | | | |
| Salaries | 5,681 | 3,753 | 85,758 | | 93 |
| Employe Benefits | 3,026 | 2,906 | 46,942 | | 8 |
| Annual Leave | 371 | 205 | 5,283 | | |
| Travel | 306 | | 144 | | 16 |
| Contracted Services | | | 1,794,118 | | |
| Duplicating | 1,424 | 17 | 173 | | |
| Postage | 382 | | 884 | | 4 |
| Depreciation | | | | 25,693 | |
| Interest | | | | 20,079 | |
| Other Direct Costs | 5,962 | | 2,315 | 431 | 72 |
| In-Kind Expenditures | | | | | |
| Total Direct Expenditures | <u>17,152</u> | <u>6,881</u> | <u>1,935,617</u> | <u>46,203</u> | <u>193</u> |
| Shared Costs Applied | <u>3,178</u> | <u>2,542</u> | <u>48,848</u> | | <u>67</u> |
| Total Expenditures | <u>20,330</u> | <u>9,423</u> | <u>1,984,465</u> | <u>46,203</u> | <u>260</u> |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | <u>\$ 0</u> | <u>\$ (2,001)</u> | <u>\$ 112,597</u> | <u>\$ 66</u> | <u>\$ 880</u> |

PENNYRILE AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BY PROGRAM
Supplementary Information
For The Year Ended June 30, 2022
(Continued)

| | West Kentucky Workforce Board | Shared Cost Allocation | Total |
|--|--|---------------------------------------|-------------------|
| Revenues | | | |
| Federal | \$ 4,231,233 | \$ | \$ 5,825,703 |
| Federal - CARES | | | 192,792 |
| Federal - CRRSSA | | | 8,150 |
| Federal - ARPA | | | 30,835 |
| Federal - ESMP | | | 602,989 |
| State | | | 5,124,943 |
| Local | | | |
| Annual Assessments | | | 98,711 |
| Interest Income | | | 36,288 |
| Local Match | | | (1) |
| Local Applied Grants | | | |
| Other Revenues | | | 2,455,065 |
| In-Kind Revenues | | | 264,791 |
| Total Revenues | 4,231,233 | | 14,640,266 |
| Expenditures | | | |
| Direct Expenditures | | | |
| Salaries | 531,871 | 299,311 | 1,751,206 |
| Employe Benefits | 275,245 | 179,928 | 1,001,126 |
| Annual Leave | 47,567 | 24,028 | 131,729 |
| Travel | 22,585 | 59,757 | 112,263 |
| Contracted Services | 2,887,248 | | 10,249,214 |
| Duplicating | 3,997 | 4,040 | 18,373 |
| Postage | 522 | 3,366 | 11,521 |
| Depreciation | | 14,250 | 39,943 |
| Interest | | | 20,738 |
| Other Direct Costs | 169,979 | 246,354 | 597,260 |
| In-Kind Expenditures | | | 264,791 |
| Total Direct Expenditures | 3,939,014 | 831,034 | 14,198,164 |
| Shared Costs Applied | 292,219 | (831,034) | 1 |
| Total Expenditures | 4,231,233 | | 14,198,165 |
| Excess of Revenues Over (Under) | | | |
| Expenditures | \$ 0 | \$ 0 | \$ 442,101 |

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors
Pennyrile Area Development District
Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyrile Area Development District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

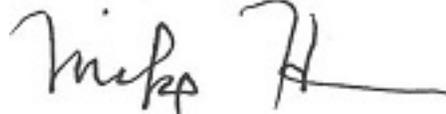
Report on Compliance And Other Matters

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

January 4, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Pennyriple Area Development District
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Pennyriple Area Development District's (District) compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, KY

January 4, 2023

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**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

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**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

Section I: Summary of Auditor’s Results

Financial Statement

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified on GAAP Basis

Internal control over financial reporting:

| | | |
|--|------------------------------|---|
| Are any material weaknesses identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are any significant deficiencies identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |
| Are any noncompliances material to financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards

Internal control over major programs:

| | | |
|--|------------------------------|---|
| Are any material weaknesses identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are any significant deficiencies identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |
| Type of auditor’s report issued on compliance for major federal programs: Unmodified | | |
| Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Identification of major programs:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------------|--|
| 17.258, 17.259, 17.278 | WIOA Cluster |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds (Expanded Senior Meal Planning) |

| | |
|--|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as a low-risk auditee? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings

No matters were reported.

Section III: Federal Award Findings And Questioned Costs

No matters were reported.

Section IV: Summary Schedule of Prior Audit Findings

No prior year findings were reported.