

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

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**FINANCIAL STATEMENTS  
June 30, 2025**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kentucky River Area Development District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kentucky River Area Development District, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, the schedules of proportionate share of the net pension and OPEB liabilities and the schedules of pension and OPEB contributions on pages 4–6 and 27–31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The cost allocation policy, schedule of shared costs, statements of operation by program, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the cost allocation policy, schedule of shared costs, statements of operation by program and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
December 1, 2025

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

This discussion and analysis provides an overview of Kentucky River Area Development District's (the District) financial performance during the fiscal years 2025 and 2024. Please read the following in conjunction with the District's audited financial statements.

### OVERVIEW OF THE ANNUAL REPORT

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

### REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. As described in Note 1 to the financial statements, the District changed reporting models during the year ended June 30, 2019, to the government-wide – multi-program reporting model. The multi-program reporting model requires the presentation of both government-wide and fund financial statements. The government-wide statements start on page 5. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 7. For governmental activities, these statements tell how the services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide detail financial information for the benefit of those outside of the government.

### FINANCIAL ANALYSIS OF THE DISTRICT

The condensed statement of net position reveals that deferred inflows of resources decreased significantly due to actuarially determined amounts relating to the net pension liability and the net OPEB liability. Unrestricted net position for fiscal year 2025 increased by \$2,094,640. The current year decrease in the net pension liability totaled \$23,554. The current year increase in the net OPEB asset totaled \$27,952.

#### Condensed Statement of Net Position

	<u>FY 2025</u>	<u>FY 2024</u>
Current Assets	\$ 4,700,182	\$ 2,862,706
Other Assets	2,285,872	2,373,629
Deferred Outflows of Resources	<u>1,127,629</u>	<u>1,169,933</u>
<b>Total Assets &amp; Deferred Outflows</b>	<b><u>\$ 8,113,683</u></b>	<b><u>\$ 6,406,268</u></b>
Current Liabilities	\$ 823,474	\$ 811,651
Long-term Liabilities	5,314,464	5,334,908
Deferred Inflows of Resources	1,475,648	1,751,703
Net Position		
Net investment in capital assets	419,763	522,312
Unrestricted	<u>80,334</u>	<u>(2,014,306)</u>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<b><u>\$ 8,113,683</u></b>	<b><u>\$ 6,406,268</u></b>

The statement of activities provides a more detailed look at the nature of these changes. The District had net income of \$2,041,570 for the year ended June 30, 2025, compared to a net income of \$576,977 in 2024. Revenues increased as did expenses. The increase in revenue totaled \$5,248,243, while the increase in expenses totaled \$3,783,650. PDS activities were classified with performance contracts and out of aging services in the current year.

### Statement of Activities

	<u>FY 2025</u>	<u>FY 2024</u>
<b>Revenues</b>		
Charges for service	\$ 21,411,249	\$ 2,530,559
Operating grants and contributions	4,159,792	17,808,362
General revenue	<u>108,672</u>	<u>92,549</u>
<b>Total Revenues</b>	<u>25,679,713</u>	<u>20,431,470</u>
<b>Operating Expenses</b>		
General government	(150,891)	(146,334)
Community/economic development	609,337	731,285
Aging and independent living services	3,687,580	18,576,064
Other services	19,455,780	657,102
Interest	<u>36,337</u>	<u>36,376</u>
<b>Total Expenses</b>	<u>23,638,143</u>	<u>19,854,493</u>
<b>Change in Net Position</b>	2,041,570	576,977
<b>Net Position – Beginning of the Year</b>	(1,491,994)	(2,048,495)
Adjustments for deferred income, A/R, & write-offs	<u>(49,479)</u>	<u>(20,476)</u>
<b>Net Position – End of Year</b>	<u>\$ 500,097</u>	<u>\$ (1,491,994)</u>

### Budget Analysis

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

Budgeted (amended) revenue and expense increased by \$17,930,244 due to inclusion of the PDS program and several Aging programs.

Aging pass through to local agencies outspent the budget by \$449,793 and equipment and leases outspent the budget by \$80,434 due to increases in both revenue and expense in excess of budgeted amounts.

### Change in Reporting

The PDS payroll portion of the program from Kentucky River Medicaid CDO, Inc. was added as a blended component unit during 2024. This was not in the original budget but was added to the amended budget due to the evaluation and determination of this addition subsequent to the year-end June 30, 2024. The 2024 amounts presented in the MD&A have been updated to reflect this change.

## CAPITAL ASSETS

The District invested \$0 (net) in capital assets for fiscal year 2025. Accumulated depreciation increased \$129,104 (net). The net investment in capital assets at the end of fiscal year 2025 totaled \$419,763 (assets less related debt).

	<b>Balance June 30, 2023</b>	<b>FY 2024 Additions</b>	<b>FY 2024 Disposals</b>	<b>Balance June 30, 2024</b>	<b>FY 2025 Additions</b>	<b>FY 2025 Disposals</b>	<b>Balance June 30, 2025</b>
Property & Equipment	\$ 2,518,647	\$ 289,532	\$ 0	\$ 2,808,179	\$ 0	\$ 0	\$ 2,808,179
Accumulated Depreciation	<u>(810,079)</u>	<u>(128,386)</u>	<u>0</u>	<u>(938,465)</u>	<u>(134,041)</u>	<u>4,937</u>	<u>(1,067,569)</u>
<b>NET</b>	<b><u>\$ 1,708,568</u></b>	<b><u>\$ 161,148</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,869,714</u></b>	<b><u>\$ (134,041)</u></b>	<b><u>\$ 4,937</u></b>	<b><u>\$ 1,740,610</u></b>

## DEBT

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

	<b>Balance June 30, 2023</b>	<b>FY 2024 Additions</b>	<b>FY 2024 Payments</b>	<b>Balance June 30, 2024</b>	<b>FY 2025 Additions</b>	<b>FY 2025 Payments</b>	<b>Balance June 30, 2025</b>
RD Note (Rural Development)	<u>\$ 1,374,625</u>	<u>\$ 0</u>	<u>\$ (27,223)</u>	<u>\$ 1,347,402</u>	<u>\$ 0</u>	<u>\$ (26,555)</u>	<u>\$ 1,320,847</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2026 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2026, several of our state contracts had not been finalized due to budget cuts. We are speculating that our federal and state revenues will most likely be cut slightly.

## CONTACTING THE DISTRICT

The financial report is designed to provide the District's citizens, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Michelle Allen, Executive Director, at 941 North Main Street, Hazard, Kentucky 41701.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,370,976
Accounts receivable	
Federal, state and local grants	2,325,323
Prepaid expenses	<u>3,883</u>
Total current assets	<u>4,700,182</u>
Noncurrent assets	
Restricted cash and cash equivalents	63,492
Certificates of deposit	370,968
Net OPEB asset	110,802
Property and equipment, net	<u>1,740,610</u>
Total noncurrent assets	<u>2,285,872</u>
Total assets	<u>6,986,054</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	836,581
Deferred outflows - OPEB	<u>291,048</u>
Total deferred outflows of resources	<u>1,127,629</u>
Total assets and deferred outflows of resources	<u>\$ 8,113,683</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 276,810
Accrued expenses	175,716
Unearned grant revenue	326,306
Accrued interest	18,958
Current portion of debt	<u>25,684</u>
Total current liabilities	<u>823,474</u>
Long-term liabilities	
Accrued annual leave	192,308
Long-term portion of debt	1,295,163
Net pension liability	<u>3,826,993</u>
Total long-term liabilities	<u>5,314,464</u>
Total liabilities	<u>6,137,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	418,960
Deferred inflows - OPEB	<u>1,056,688</u>
Total deferred inflows of resources	<u>1,475,648</u>
<b>NET POSITION</b>	
Net investment in capital assets	419,763
Unrestricted	<u>80,334</u>
Total net position	<u>500,097</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,113,683</u>

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2025

<u>Functions/Programs</u>	Program Revenues					<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Primary government:</b>	<b>Direct Expenses</b>	<b>Indirect Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities</b>						
General government	\$ (150,891)	\$ -	\$ -	\$ -	\$ -	\$ 150,891
Community/Economic development	471,253	138,084	-	525,392	-	(83,945)
Aging and independent living services	3,296,479	391,101	519,256	3,010,370	-	(157,954)
Other services	18,938,575	517,205	20,891,993	624,030	-	2,060,243
Interest on long-term debt	36,337	-	-	-	-	(36,337)
<b>Total primary government</b>	<b>\$ 22,591,753</b>	<b>\$ 1,046,390</b>	<b>\$ 21,411,249</b>	<b>\$ 4,159,792</b>	<b>\$ -</b>	<b>1,932,898</b>
				<b>General revenues:</b>		
				Member dues		80,709
				Rental income		10,200
				Interest and other		17,763
				Total general revenues		108,672
				<b>Change in Net Position</b>		2,041,570
				Net position adjustments relating to prior years activity		(49,479)
				Net position-beginning		(1,491,994)
				<b>NET POSITION-ENDING</b>		<b>\$ 500,097</b>

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2025**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Current assets			
Cash - unrestricted	\$ 956,789	\$ 1,414,187	\$ 2,370,976
Cash - restricted	63,492	-	63,492
Certificates of deposit	370,968	-	370,968
Accounts receivable, net	-	2,325,323	2,325,323
Interfund receivable	119,997	-	119,997
Prepaid expense	-	3,883	3,883
Total assets	\$ 1,511,246	\$ 3,743,393	\$ 5,254,639
<b>LIABILITIES AND FUND BALANCE</b>			
Current liabilities			
Accounts payable	\$ -	276,810	\$ 276,810
Accrued liabilities	-	175,716	175,716
Interfund payable	-	119,997	119,997
Unearned grant revenue	-	326,306	326,306
Total liabilities	-	898,829	898,829
Fund balance			
Nonspendable	-	3,883	3,883
Restricted	63,492	2,840,681	2,904,173
Unassigned	1,447,754	-	1,447,754
Total fund balance	1,511,246	2,844,564	4,355,810
Total liabilities and fund balance	\$ 1,511,246	\$ 3,743,393	\$ 5,254,639
Total government fund balance			\$ 4,355,810
Amount reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, net of accumulated depreciation			1,740,610
Long-term liabilities, noncurrent assets and related pension and OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds			(5,596,323)
Net position of governmental activities			\$ 500,097

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2025**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Government Funds</b>
<b>REVENUES</b>			
Federal	\$ -	\$ 2,221,934	\$ 2,221,934
State	-	1,937,858	1,937,858
Local / service fees (includes in-kind and program income)	108,672	21,411,249	21,519,921
Total revenues	108,672	25,571,041	25,679,713
<b>EXPENDITURES</b>			
Current			
General government	48,067	-	48,067
Community/Economic Development	-	605,898	605,898
Aging and Independent Living Services	-	3,666,770	3,666,770
Other services	-	19,345,987	19,345,987
Debt service	63,600	-	63,600
Total expenditures	111,667	23,618,655	23,730,322
Excess of revenues over (under) expenditures	(2,995)	1,952,386	1,949,391
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	25,674	(25,674)	-
<b>Net change in fund balance</b>	22,679	1,926,712	1,949,391
<b>Fund balance - beginning, restated</b>	1,488,567	917,852	2,406,419
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,511,246</b>	<b>\$ 2,844,564</b>	<b>\$ 4,355,810</b>
Net change in fund balance - total governmental funds			\$ 1,949,391
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:			
Depreciation expense			(134,041)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position			
Change in accrued annual leave			26,555
Change in the net pension and OPEB liabilities, assets and related deferred inflows and outflows			(30,395)
			229,352
Change in net position of governmental activities			<b>\$ 2,041,570</b>

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity** - The District's financial statements include the operations of all entities for which its Board of Directors exercise oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters. Kentucky River Medicaid CDO, Inc. is included as a blended component unit.

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

The following is a summary of the basis of presentation:

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

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

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statement (Continued)**

The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The District does not currently have any proprietary funds.

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

The District has the following funds:

Government Fund Types

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

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

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

**Revenue Recognition** - The District recognizes revenue on the accrual basis of accounting (government-wide statements). Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services. The District does not carry an allowance for doubtful accounts because it believes all receivables are collectable. Alternatively, the District writes off accounts receivable at the time it is determined they cannot be collected. During the year ended June 30, 2025, the District wrote off local projects totaling \$0.

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance:**

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

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

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

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

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

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

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

	<b>General</b>	<b>Special Revenue</b>
Nonspendable:		
Prepays	\$ -	\$ 3,883
Restricted:		
Debt service reserve	63,492	-
Aging programs	-	2,325,323
Local projects	-	515,358
Unassigned	<u>1,447,754</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,511,246</u></b>	<b><u>\$ 2,844,564</u></b>

**Compensated Absences** - Employees of the District accrue sick leave at the rate of one day per month. Part-time employees earn sick leave on a pro rata basis as determined by the Executive Director. There is no limit as to the amount of sick leave that may be accrued; however, sick leave is forfeited upon termination of employment. The District will pay into the retirement system an amount equal to six months of the employers' contribution based upon the amount of sick leave the employee has accumulated, toward retirement credit of the employee. Annual leave earned is based on seniority at the rates of twelve to twenty-one days per year and can be carried forward from one year to the next. A maximum of sixty days may be carried forward. All days more than sixty that are forfeited are converted to sick leave at the end of the year. The accrued liability for accumulated annual leave reported on the statement of net position at June 30, 2025 is \$192,308.

During the year ending June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. These changes were incorporated in the Company's June 30, 2025.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Pension** - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefits Other Than Pensions (OPEB)** - For purposes of measuring the net OPEB liability and asset, deferred outflows of resources, deferred inflows of resources related to OPEB, OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

**Income Taxes** - The District is a non-profit organization incorporated November 12, 1974, and is exempt from income taxes under Internal Revenue Code, 501(c)(3) as determined by the IRS in a determination letter dated October 27, 1989. The District is generally no longer subject to income tax examinations by tax authorities for years before 2021.

**Leases and Subscription-Based Information Technology Arrangements (SBITA)** - The District follows Governmental Accounting Standards Board (GASB) Statements No. 87 and 96, respectively. The statements establish requirements for lease and SBITA accounting based on the principle that leases and SBITA are financings of the right to use an underlying asset. A lessee is required to recognize a lease payable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Management’s Review of Subsequent Events** - The District has evaluated and considered the need to recognize or disclose subsequent events through December 1, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2025, have not been evaluated by the District.

**2. CASH AND INVESTMENTS**

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

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

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

The District’s cash and investment balances were not fully covered by FDIC insurance or collateralized by the holding institution with securities and irrevocable, unconditional and non-transferable letters of credit that were in effect. This error by the bank was corrected on July 2, 2025, which covered two business days. The following cash balances are detailed as of June 30, 2025:

Total cash and certificates of deposit	\$ 3,400,512
FDIC Insurance	(870,966)
Collateralized by securities and letters of credit held in District's name	<u>(2,051,677)</u>
 (Over) under collateralized	 <u>\$ 477,869</u>

**3. GRANTS RECEIVABLE**

Federal, state and local grants receivable consist of the following at June 30, 2025:

2021 Local projects	\$ 14,720
2022 Local projects	11,592
2023 Local projects	11,620
2024 Local projects	162
2025 Local projects	651,529
PDS	1,076,239
Aging	556,295
Homecare	<u>3,166</u>
 Total grant receivable	 <u>\$ 2,325,323</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**4. CAPITAL ASSETS**

The District maintains property and equipment used in its operations. Capital assets are stated at cost and depreciated over their estimated useful lives of three (3) to forty (40) years using the straight-line method of depreciation. The threshold for capitalization is \$10,000 in accordance with the cost allocation plan. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan. Depreciation expense totaled \$134,041 for the year ended June 30, 2025. The following summarizes the changes in capital assets during the year ended June 30, 2025:

	<b>6/30/2024</b>	<b>Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>6/30/2025</b>
					<b>Balance</b>
Building and equipment	\$ 2,808,179		\$ -	\$ -	\$ 2,808,179
Accumulated depreciation	<u>(938,465)</u>		<u>(134,041)</u>	<u>4,937</u>	<u>(1,067,569)</u>
Net	<u>\$ 1,869,714</u>		<u>\$ (134,041)</u>	<u>\$ 4,937</u>	<u>\$ 1,740,610</u>

**5. UNEARNED GRANT REVENUE**

On June 30, 2025, unearned grant revenue includes revenues received but not earned. For the District, those programs are as follows:

<b>Grant Name</b>	
Brownfields	\$ 6,526
CADD Tower	2,497
Data collection	1,260
FEMA Hazard Mitigation	7,713
Senior Games	7,718
RAM Event	2,736
Wolfe Co. Senior Center Project	1,743
Lee Co. Senior Center Project	5,722
Letcher Co. Senior Center Project	1,946
INNU Suicide Prevention	25
KRADD Disaster Relief	9
Food Truck	477
Elder Abuse Council	27,670
Kentucky Caregiver	72
Title V	2,204
NSIP	4,133
PDS Durable Goods	3,193
TBI	44
Aging Community Project	2,140
Owsley Cp. Senior Center Project	100
Local dues – total	438
Community Events Fund	3,721
United Way EFSP Fund	13,519
Appalachia Rise Rehab Fund Grant	6,816
Senior Flooding	77
Medicaid Appendix K	<u>223,807</u>
Total	<u>\$ 326,306</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**6. LONG-TERM LIABILITIES**

During the year ended June 30, 2017, the District obtained a debt issue for \$1,500,000 to purchase a building for their daily operation. The debt issue is payable over 40 years with annual principal and interest payments. The first payment was due January 2018 with final payment due January 2057. The debt issue is at a fixed rate of interest of 2.875%. Interest expense for the year ended June 30, 2025 totaled \$36,337. The following is an amortization of future maturities:

June 30,	Principal	Interest	Total
2026	\$ 25,684	\$ 37,916	\$ 63,600
2027	26,422	37,178	63,600
2028	27,181	36,419	63,600
2029	27,963	35,637	63,600
2030	28,766	34,834	63,600
2031-2035	156,716	161,284	318,000
2036-2040	180,573	137,427	318,000
2041-2045	208,703	109,297	318,000
2046-2050	242,221	75,779	318,000
2051-2055	278,011	39,989	318,000
2056-2057	<u>118,607</u>	<u>6,670</u>	<u>125,277</u>
	<u>\$ 1,320,847</u>	<u>\$ 712,430</u>	<u>\$ 2,033,277</u>

Change in long-term liabilities is as follows:

	6/30/2024	Additions	Reductions	6/30/2025
Accrued leave	\$ 161,913	\$ 192,308	\$ (161,913)	\$ 192,308
Net pension liability	3,850,547	-	(23,554)	3,826,993
Net OPEB liability (asset)	(82,850)	-	(27,952)	(110,802)
Debt – Direct Borrowing	<u>1,347,402</u>	<u>-</u>	<u>(26,555)</u>	<u>1,320,847</u>
Total	<u>\$ 5,277,012</u>	<u>\$ 192,308</u>	<u>\$ (239,974)</u>	<u>\$ 5,229,346</u>

**7. PENSION PLAN**

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

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

*Contributions* – For the year ended June 30, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages, for non-hazardous job classifications.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**7. PENSION PLAN (CONTINUED)**

The contributions are allocated 19.71% to the pension trust and 0.00% to the insurance trust. The insurance trust is more fully described in Note 8. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of CERS are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$440,058 for the year ended June 30, 2025, or 100% of the required contribution. The contribution was allocated \$440,058 to the CERS pension fund and \$0 to the CERS insurance fund.

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or at least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – On June 30, 2025, the District reported a liability of \$3,826,993 based upon its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. On June 30, 2025, the District's proportion was 0.0640 percent, which was an increase of 0.0040 percent from its proportion measured on June 30, 2024.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

**7. PENSION PLAN (CONTINUED)**

For the year ended June 30, 2025, the District recognized pension expense of \$428,224. On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 185,233	\$ -
Changes of assumptions	-	172,905
Net difference between projected and actual earnings on Plan investments	-	246,055
Changes in proportion and differences between District contributions and proportionate share of contributions	211,290	-
District contributions after the measurement date	440,058	-
 Total	 \$ 836,581	 \$ 418,960

The \$440,058 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2026	\$ (3,424)
2027	\$ 130,410
2028	\$ (94,586)
2029	\$ (54,837)

*Actuarial Assumptions* – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and applies to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% - 10.30%, average, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2024.

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

**7. PENSION PLAN (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Total</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>7.19%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four (4) years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.50%	\$ 4,933,619
Current discount rate	6.50%	\$ 3,826,993
1% increase	7.50%	\$ 2,908,785

*Payable to the Pension Plan* – At June 30, 2025, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

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

*Plan Description* – As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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

*Contributions* – As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2025, the employer’s contribution was 0.00% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications.

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

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

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

*OPEB Liabilities, Assets, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – On June 30, 2025, the District reported an asset for its proportionate share of the net OPEB asset of \$110,802. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022, and rolled forward using generally accepted actuarial procedures. The District’s proportion of the net OPEB asset was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District’s proportionate share at June 30, 2024 was 0.0641 percent which was an increase of 0.0040 percent compared to June 30, 2023.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$(159,361). On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 61,472	\$ 871,797
Changes of assumptions	100,400	78,183
Net difference between projected and actual earnings on Plan investments	-	101,114
Changes in proportion and differences between District contributions and proportionate share of contributions	99,043	5,594
District contributions after the measurement date	<u>30,133</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 291,048</u></b>	<b><u>\$ 1,056,688</u></b>

The \$30,133 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. This includes an adjustment of \$30,133 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>	
2026	\$ (327,092)
2027	\$ (246,309)
2028	\$ (220,511)
2029	\$ (1,861)

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30%- 10.30%, average, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend starting at 7.10% on January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
	Post – 65: Initial trend starting at 8.00% on January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
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**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Total</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>7.19%</b>

*Discount Rate* – The discount rate used to measure the total OPEB asset was 5.99% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2023, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Discount rate	District's proportionate share of net OPEB liability (asset)
1% decrease	4.99%	\$ 149,817
Current discount rate	5.99%	\$ (110,802)
1% increase	6.99%	\$ (329,932)

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
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**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

	<b>District's proportionate share of net OPEB liability (asset)</b>
1% decrease	\$ (266,577)
Current trend rate	\$ (110,802)
1% increase	\$ 70,664

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

*Payable to the Pension Plan* – At June 30, 2025, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2025.

**9. COMMITMENTS AND CONTINGENCIES**

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

**10. KENTUCKY RIVER MEDICAID CDO, INC.**

The District provides fiscal management services to Kentucky River Medicaid CDO, Inc. Kentucky River Medicaid CDO, Inc. operates the Participant Directed Services (PDS) program (formerly Consumer Directed Options) for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Kentucky River Area Development District and is included as a blended component unit. Waiver clients have the option to choose PDS at any time. The District serves as the fiscal agent for the client and as a support broker. As clients opt for PDS, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the PDS program funding. Funds for each district are realigned and/or increased/decreased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed, and the funds are paid to each district to reimburse the client account. The District (general fund) was owed \$119,997 for its initial contribution to the program and an additional \$85,207 (netted between companies) for the year ended June 30, 2025.

**11. COST ALLOCATION PLAN**

Kentucky River Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins on page 34. The District is in conformity with 2 CFR Part 225.

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
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**13. PERFORMANCE CONTRACTS**

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2025 the following revenues were recorded in performance contracts:

Transportation Planning	\$ 83,454
SS4A Transportation	75,150
Senior Project	145
Fleming Neon Water Line Improvement Phase I 2022	30,000
KIA	116,946
Whitesburg WLR Tank Rehab 2022	500
Leslie FC Phase 3A WSIP (2022)	500
Hyden/Leslie WD Phase 3B WSIP (2022)	500
Beverly Heights/Sigman WLEP (2023)	17,394
Loggy Hollow WLX Zone Meter Project (2023)	500
Breathitt Elk View Mast Plan 2023	500
Jackson Water Treatment Plant Upgrade 2023	2,200
Cowan CAG Whitesburg Agritech 2023	750
KOHS SLCGP (Cyber Security Grant) 2023	2,228
Letcher Water/Sewer Federal Prison Roxanna 2023	9,100
South Fork Elk View Campground Ph II (2023)	750
North Jackson Water Improvement Project (2023)	500
Knott DR-4663 Property Acquisitions (2023)	168,498
Knott Garner Mt. Pump Station Replacement (2023)	500
KCWD Big Branch/Montgomery Creek PS line (2023)	30,000
Leslie Co Lee Co. Campground Project (2023)	4,500
ARC-LDD READY(FY24/25)	50,000
Jackson Barge Creek Rd WLEP (2023)	2,800
Letcher WD/SD Millstone Water Project (2023)	28,000
Campton/Hazel Green BP-WL-PRV (2023)	1,000
Letcher WSD Turkey Cr Red Star Ph III (2023)	27,500
Whitesburg WLRP Phase 1 (2023)	25,000
Whitesburg SSEP Marlowe Rd (2023)	35,000
Letcher WD/SD Marlowe Water Project(2023)	30,000
Backroads of Appalachia Admin Services 2023	5,000
BCWD AML Multi-Site Flood Repair Project 2023	27,695
Beattyville-EPA Brownfields 2023	5,500
Cumberland 10in WLUP 2023	1,500
Transformational Flood Recovery Grants Consortium 2023	30,636
ARC Disaster Plan (2024)	209,300
Booneville Sag Hollow Dev 2024	500
Jackson Russell Branch WLP (2024)	20,700
Kragon Learning Center (2024)	500
2nd Chance Farm & Equine Therapy Project 2024	1,000
Campton WTP Improvements Project 2024	500
HCTC EDA Pine Ridge Industrial Authority 2024	2,000
Jenkins City Hall ADA Renovations Projects 2023	5,000
Chestnut Ridge Water Ph1 Project 2024	40,000
Chestnut Ridge Sewer Project Ph1 2024	60,000
1st Frontier Appalachian Trail Authority MP 2024	25,000
Jackson Breathitt Bike Walk BCHD 2024	15,000
Fleming Neon K-PEGG Grant 2024	50,000
EDA Disaster Resiliency 2024	54,038
KRADD Brownfields 2024	4,868
Community Wildfire Defense Grant 2024	7,038

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
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**13. PERFORMANCE CONTRACTS (CONTINUED)**

Chestnut Ridge Water Ph2 2024	\$	20,000
Chestnut Ridge Sewer Ph2 2024		30,000
Breathitt Courthouse ADA Renovations		500
Hyden Leslie WD PSC SurWat Meter Project 2025		1,000
Chestnut Ridge Broadband/Power1 2025		1,000
Hyden/Leslie WD Cutshin WLR Ph1 2025		1,700
WCSD/Hazel Green WWCS AML PH1		500
Leslie FC Wilder Branch Pump Station CDBG-DR 2025		1,500
Knott CWSD Generator AMLER (2022)		6,667
Booneville WTP Backwash Pond 2025		3,500
Breathitt Museum Arts & Tourism 2025		2,700
Letcher Water Treatment Plant-CDBG 2025		500
Letcher Millstone Water		500
BCWD HWY 30E Wolf Creek WLEP 2023		20,000
Breathitt WD Waterline Extension Project		6,825
Breathitt Elk View Phase II AML		1,366
Leslie Co Teleworks/Connectivity Project (2021)		5,000
CCAG/Whitesburg Farmers Market (2022)		2,000
Local road updates		<u>4,507</u>
 Total performance contracts		 <u>\$ 1,419,455</u>

**14. RESTATEMENT**

Beginning fund balance on the statement of revenues, expenditures and changes in fund balance (special revenue fund) was restated by \$110,222 due to the inclusion of Kentucky River Medicaid CDO, Inc. activity in the prior year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
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**4. CAPITAL ASSETS**

The District maintains property and equipment used in its operations. Capital assets are stated at cost and depreciated over their estimated useful lives of three (3) to forty (40) years using the straight-line method of depreciation. The threshold for capitalization is \$10,000 in accordance with the cost allocation plan. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan. Depreciation expense totaled \$134,041 for the year ended June 30, 2025. The following summarizes the changes in capital assets during the year ended June 30, 2025:

	<b>6/30/2024</b>	<b>Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>6/30/2025</b>
					<b>Balance</b>
Building and equipment	\$ 2,808,179		\$ -	\$ -	\$ 2,808,179
Accumulated depreciation	<u>(938,465)</u>		<u>(134,041)</u>	<u>4,937</u>	<u>(1,067,569)</u>
Net	<u>\$ 1,869,714</u>		<u>\$ (134,041)</u>	<u>\$ 4,937</u>	<u>\$ 1,740,610</u>

**5. UNEARNED GRANT REVENUE**

On June 30, 2025, unearned grant revenue includes revenues received but not earned. For the District, those programs are as follows:

<b>Grant Name</b>	
Brownfields	\$ 6,526
CADD Tower	2,497
Data collection	1,260
FEMA Hazard Mitigation	7,713
Senior Games	7,718
RAM Event	2,736
Wolfe Co. Senior Center Project	1,743
Lee Co. Senior Center Project	5,722
Letcher Co. Senior Center Project	1,946
INNU Suicide Prevention	25
KRADD Disaster Relief	9
Food Truck	477
Elder Abuse Council	27,670
Kentucky Caregiver	72
Title V	2,204
NSIP	4,133
PDS Durable Goods	3,193
TBI	44
Aging Community Project	2,140
Owsley Cp. Senior Center Project	100
Local dues – total	438
Community Events Fund	3,721
United Way EFSP Fund	13,519
Appalachia Rise Rehab Fund Grant	6,816
Senior Flooding	77
Medicaid Appendix K	<u>223,807</u>
Total	<u>\$ 326,306</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. LONG-TERM LIABILITIES**

During the year ended June 30, 2017, the District obtained a debt issue for \$1,500,000 to purchase a building for their daily operation. The debt issue is payable over 40 years with annual principal and interest payments. The first payment was due January 2018 with final payment due January 2057. The debt issue is at a fixed rate of interest of 2.875%. Interest expense for the year ended June 30, 2025 totaled \$36,337. The following is an amortization of future maturities:

June 30,	Principal	Interest	Total
2026	\$ 25,684	\$ 37,916	\$ 63,600
2027	26,422	37,178	63,600
2028	27,181	36,419	63,600
2029	27,963	35,637	63,600
2030	28,766	34,834	63,600
2031-2035	156,716	161,284	318,000
2036-2040	180,573	137,427	318,000
2041-2045	208,703	109,297	318,000
2046-2050	242,221	75,779	318,000
2051-2055	278,011	39,989	318,000
2056-2057	<u>118,607</u>	<u>6,670</u>	<u>125,277</u>
	<u>\$ 1,320,847</u>	<u>\$ 712,430</u>	<u>\$ 2,033,277</u>

Change in long-term liabilities is as follows:

	6/30/2024	Additions	Reductions	6/30/2025
Accrued leave	\$ 161,913	\$ 192,308	\$ (161,913)	\$ 192,308
Net pension liability	3,850,547	-	(23,554)	3,826,993
Net OPEB liability (asset)	(82,850)	-	(27,952)	(110,802)
Debt – Direct Borrowing	<u>1,347,402</u>	<u>-</u>	<u>(26,555)</u>	<u>1,320,847</u>
Total	<u>\$ 5,277,012</u>	<u>\$ 192,308</u>	<u>\$ (239,974)</u>	<u>\$ 5,229,346</u>

**7. PENSION PLAN**

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

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

*Contributions* – For the year ended June 30, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages, for non-hazardous job classifications.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**7. PENSION PLAN (CONTINUED)**

The contributions are allocated 19.71% to the pension trust and 0.00% to the insurance trust. The insurance trust is more fully described in Note 8. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of CERS are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$440,058 for the year ended June 30, 2025, or 100% of the required contribution. The contribution was allocated \$440,058 to the CERS pension fund and \$0 to the CERS insurance fund.

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or at least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – On June 30, 2025, the District reported a liability of \$3,826,993 based upon its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. On June 30, 2025, the District's proportion was 0.0640 percent, which was an increase of 0.0040 percent from its proportion measured on June 30, 2024.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
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**7. PENSION PLAN (CONTINUED)**

For the year ended June 30, 2025, the District recognized pension expense of \$428,224. On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 185,233	\$ -
Changes of assumptions	-	172,905
Net difference between projected and actual earnings on Plan investments	-	246,055
Changes in proportion and differences between District contributions and proportionate share of contributions	211,290	-
District contributions after the measurement date	440,058	-
 Total	 \$ 836,581	 \$ 418,960

The \$440,058 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2026	\$ (3,424)
2027	\$ 130,410
2028	\$ (94,586)
2029	\$ (54,837)

*Actuarial Assumptions* – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and applies to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% - 10.30%, average, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2024.

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
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**7. PENSION PLAN (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Total</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>7.19%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four (4) years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.50%	\$ 4,933,619
Current discount rate	6.50%	\$ 3,826,993
1% increase	7.50%	\$ 2,908,785

*Payable to the Pension Plan* – At June 30, 2025, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

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

*Plan Description* – As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
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**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Contributions* – As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2025, the employer’s contribution was 0.00% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications.

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

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

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

*OPEB Liabilities, Assets, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – On June 30, 2025, the District reported an asset for its proportionate share of the net OPEB asset of \$110,802. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022, and rolled forward using generally accepted actuarial procedures. The District’s proportion of the net OPEB asset was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District’s proportionate share at June 30, 2024 was 0.0641 percent which was an increase of 0.0040 percent compared to June 30, 2023.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$(159,361). On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 61,472	\$ 871,797
Changes of assumptions	100,400	78,183
Net difference between projected and actual earnings on Plan investments	-	101,114
Changes in proportion and differences between District contributions and proportionate share of contributions	99,043	5,594
District contributions after the measurement date	<u>30,133</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 291,048</u></b>	<b><u>\$ 1,056,688</u></b>

The \$30,133 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. This includes an adjustment of \$30,133 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>	
2026	\$ (327,092)
2027	\$ (246,309)
2028	\$ (220,511)
2029	\$ (1,861)

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30%- 10.30%, average, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre – 65: Initial trend starting at 7.10% on January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
	Post – 65: Initial trend starting at 8.00% on January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Total</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>7.19%</b>

*Discount Rate* – The discount rate used to measure the total OPEB asset was 5.99% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2023, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Discount rate	District's proportionate share of net OPEB liability (asset)
1% decrease	4.99%	\$ 149,817
Current discount rate	5.99%	\$ (110,802)
1% increase	6.99%	\$ (329,932)

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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

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

	<b>District's proportionate share of net OPEB liability (asset)</b>
1% decrease	\$ (266,577)
Current trend rate	\$ (110,802)
1% increase	\$ 70,664

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

*Payable to the Pension Plan* – At June 30, 2025, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2025.

**9. COMMITMENTS AND CONTINGENCIES**

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

**10. KENTUCKY RIVER MEDICAID CDO, INC.**

The District provides fiscal management services to Kentucky River Medicaid CDO, Inc. Kentucky River Medicaid CDO, Inc. operates the Participant Directed Services (PDS) program (formerly Consumer Directed Options) for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Kentucky River Area Development District and is included as a blended component unit. Waiver clients have the option to choose PDS at any time. The District serves as the fiscal agent for the client and as a support broker. As clients opt for PDS, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the PDS program funding. Funds for each district are realigned and/or increased/decreased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed, and the funds are paid to each district to reimburse the client account. The District (general fund) was owed \$119,997 for its initial contribution to the program and an additional \$85,207 (netted between companies) for the year ended June 30, 2025.

**11. COST ALLOCATION PLAN**

Kentucky River Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins on page 34. The District is in conformity with 2 CFR Part 225.

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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**13. PERFORMANCE CONTRACTS**

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal year ended June 30, 2025 the following revenues were recorded in performance contracts:

Transportation Planning	\$ 83,454
SS4A Transportation	75,150
Senior Project	145
Fleming Neon Water Line Improvement Phase I 2022	30,000
KIA	116,946
Whitesburg WLR Tank Rehab 2022	500
Leslie FC Phase 3A WSIP (2022)	500
Hyden/Leslie WD Phase 3B WSIP (2022)	500
Beverly Heights/Sigman WLEP (2023)	17,394
Loggy Hollow WLX Zone Meter Project (2023)	500
Breathitt Elk View Mast Plan 2023	500
Jackson Water Treatment Plant Upgrade 2023	2,200
Cowan CAG Whitesburg Agritech 2023	750
KOHS SLCGP (Cyber Security Grant) 2023	2,228
Letcher Water/Sewer Federal Prison Roxanna 2023	9,100
South Fork Elk View Campground Ph II (2023)	750
North Jackson Water Improvement Project (2023)	500
Knott DR-4663 Property Acquisitions (2023)	168,498
Knott Garner Mt. Pump Station Replacement (2023)	500
KCWD Big Branch/Montgomery Creek PS line (2023)	30,000
Leslie Co Lee Co. Campground Project (2023)	4,500
ARC-LDD READY(FY24/25)	50,000
Jackson Barge Creek Rd WLEP (2023)	2,800
Letcher WD/SD Millstone Water Project (2023)	28,000
Campton/Hazel Green BP-WL-PRV (2023)	1,000
Letcher WSD Turkey Cr Red Star Ph III (2023)	27,500
Whitesburg WLRP Phase 1 (2023)	25,000
Whitesburg SSEP Marlowe Rd (2023)	35,000
Letcher WD/SD Marlowe Water Project(2023)	30,000
Backroads of Appalachia Admin Services 2023	5,000
BCWD AML Multi-Site Flood Repair Project 2023	27,695
Beattyville-EPA Brownfields 2023	5,500
Cumberland 10in WLUP 2023	1,500
Transformational Flood Recovery Grants Consortium 2023	30,636
ARC Disaster Plan (2024)	209,300
Booneville Sag Hollow Dev 2024	500
Jackson Russell Branch WLP (2024)	20,700
Kragon Learning Center (2024)	500
2nd Chance Farm & Equine Therapy Project 2024	1,000
Campton WTP Improvements Project 2024	500
HCTC EDA Pine Ridge Industrial Authority 2024	2,000
Jenkins City Hall ADA Renovations Projects 2023	5,000
Chestnut Ridge Water Ph1 Project 2024	40,000
Chestnut Ridge Sewer Project Ph1 2024	60,000
1st Frontier Appalachian Trail Authority MP 2024	25,000
Jackson Breathitt Bike Walk BCHD 2024	15,000
Fleming Neon K-PEGG Grant 2024	50,000
EDA Disaster Resiliency 2024	54,038
KRADD Brownfields 2024	4,868
Community Wildfire Defense Grant 2024	7,038

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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**13. PERFORMANCE CONTRACTS (CONTINUED)**

Chestnut Ridge Water Ph2 2024	\$	20,000
Chestnut Ridge Sewer Ph2 2024		30,000
Breathitt Courthouse ADA Renovations		500
Hyden Leslie WD PSC SurWat Meter Project 2025		1,000
Chestnut Ridge Broadband/Power1 2025		1,000
Hyden/Leslie WD Cutshin WLR Ph1 2025		1,700
WCSD/Hazel Green WWCS AML PH1		500
Leslie FC Wilder Branch Pump Station CDBG-DR 2025		1,500
Knott CWSD Generator AMLER (2022)		6,667
Booneville WTP Backwash Pond 2025		3,500
Breathitt Museum Arts & Tourism 2025		2,700
Letcher Water Treatment Plant-CDBG 2025		500
Letcher Millstone Water		500
BCWD HWY 30E Wolf Creek WLEP 2023		20,000
Breathitt WD Waterline Extension Project		6,825
Breathitt Elk View Phase II AML		1,366
Leslie Co Teleworks/Connectivity Project (2021)		5,000
CCAG/Whitesburg Farmers Market (2022)		2,000
Local road updates		<u>4,507</u>
 Total performance contracts		 <u>\$ 1,419,455</u>

**14. RESTATEMENT**

Beginning fund balance on the statement of revenues, expenditures and changes in fund balance (special revenue fund) was restated by \$110,222 due to the inclusion of Kentucky River Medicaid CDO, Inc. activity in the prior year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON  
COMBINED GENERAL AND SPECIAL REVENUE FUNDS  
for the year ended June 30, 2025**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Federal funds	\$ 3,229,692	\$ 2,215,961	\$ 2,221,934	\$ 5,973
State funds	1,912,112	1,875,945	1,937,858	61,913
Local dues	82,013	80,709	80,709	-
Local service and other funds	<u>2,774,313</u>	<u>21,755,759</u>	<u>21,439,212</u>	<u>(316,547)</u>
 Total revenues	 <u>7,998,130</u>	 <u>25,928,374</u>	 <u>25,679,713</u>	 <u>(248,661)</u>
 <b>EXPENSES</b>				
Salaries and wages	2,393,232	20,593,232	19,225,785	1,367,447
Employee benefits	1,571,548	1,579,703	1,152,398	427,305
Travel	112,814	118,150	126,767	(8,617)
Aging pass through to local agencies	553,793	190,000	639,793	(449,793)
Title V enrollees	275,880	275,880	186,193	89,687
Accounting	25,500	68,000	25,500	42,500
Supplies	989,912	957,174	867,412	89,762
Postage	14,903	15,075	15,930	(855)
Dues, fees and subscriptions	26,789	29,689	27,329	2,360
Equipment and leases	306,692	364,576	445,010	(80,434)
Other costs	<u>1,727,067</u>	<u>1,736,895</u>	<u>926,026</u>	<u>810,869</u>
 Total expenses	 <u>7,998,130</u>	 <u>25,928,374</u>	 <u>23,638,143</u>	 <u>2,290,231</u>
 <b>EXCESS (EXPENSES) OVER REVENUES</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,041,570</u>	 <u>\$ 2,041,570</u>

**Notes to Required Supplementary Information**

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

The District's budget is based on fund accounting. Capital outlay is included, but depreciation expense is not included.

See the reconciliation on page 10 for the differences in expenditures between actual amounts versus fund amounts.

Interfund transfers on page 10 were not contemplated during the budgeting process do to budgeting all items as one fund.

**Excess of Disbursements over Appropriations**

- Salaries and wages line item exceeded budgeted amounts by \$6,693.
- Travel line item exceeded budgeted amounts by \$8,617.
- Aging pass through line item exceeded budgeted amounts by \$449,793.
- Postage line item exceeded budgeted amounts by \$855.
- Equipment and leases line item exceeded budgeted amounts by \$80,434.
- Contract services line item exceeded budgeted amounts by \$13,011,385.

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

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<b>Financial statement year (Measurement year)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>	<b>2025 (2024)</b>
District's proportion of the net pension liability	0.0535%	0.0544%	0.0544%	0.0605%	0.0533%	0.0535%	0.0551%	0.0572%	0.0600%	0.0640%
District's proportionate share of the net pension liability (asset)	\$ 2,302,187	\$ 2,729,668	\$ 3,411,822	\$ 3,686,461	\$ 3,752,059	\$ 4,102,102	\$ 3,510,953	\$ 4,133,188	\$ 3,850,547	\$ 3,826,993
District's covered employee payroll	\$ 929,916	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552	\$ 1,746,792	\$ 2,008,973
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	247.57%	206.40%	240.41%	241.64%	278.72%	287.89%	248.83%	262.33%	220.44%	190.49%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	0.00%	0.00%

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

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	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required employer contribution	\$ 162,802	\$ 197,977	\$ 217,233	\$ 242,958	\$ 265,319	\$ 272,316	\$ 358,911	\$ 408,750	\$ 468,894	\$ 440,058
Contributions relative to contractually required employer contribution	<u>162,802</u>	<u>197,977</u>	<u>217,233</u>	<u>242,958</u>	<u>265,319</u>	<u>272,316</u>	<u>358,911</u>	<u>408,750</u>	<u>468,894</u>	<u>440,058</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552	\$ 1,746,792	\$ 2,008,973	\$ 2,232,662
Employer contributions as a percentage of covered-employee payroll	12.31%	13.95%	14.24%	18.05%	18.62%	19.30%	22.78%	23.40%	23.34%	19.71%

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

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<b>Financial statement year (Measurement year)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>	<b>2025 (2024)</b>
District's proportion of the net OPEB liability (asset)	0.0544%	0.0583%	0.0605%	0.0533%	0.0535%	0.0551%	0.0572%	0.0000%	0.0641%
District's proportionate share of the net OPEB liability (asset)	\$ 919,031	\$ 1,171,808	\$ 1,074,663	\$ 897,071	\$ 1,291,283	\$ 1,053,981	\$ 1,128,376	\$ (82,850)	\$ (110,802)
District's covered employee payroll	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552	\$ 1,746,792	\$ 2,008,973
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	69.49%	82.57%	70.44%	66.64%	90.62%	74.70%	71.62%	-4.74%	-5.52%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	0.00%	0.00%

Notes:

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

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

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	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required employer contribution	\$ 62,822	\$ 67,128	\$ 70,511	\$ 70,932	\$ 65,436	\$ 67,162	\$ 65,700	\$ 59,216	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>62,822</u>	<u>67,128</u>	<u>70,511</u>	<u>70,932</u>	<u>65,436</u>	<u>67,162</u>	<u>65,700</u>	<u>59,216</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,322,534	\$ 1,419,189	\$ 1,525,609	\$ 1,346,186	\$ 1,424,897	\$ 1,410,963	\$ 1,575,552	\$ 1,746,792	\$ 2,008,973	\$ 2,232,662
Employer contributions as a percentage of covered-employee payroll	4.75%	4.73%	4.62%	5.27%	4.59%	4.76%	4.17%	3.39%	0.00%	0.00%

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION AND OPEB**  
**June 30, 2025**

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**1. GENERAL INFORMATION**

**Contributions**

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

**Payroll**

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

**2. CHANGES OF ASSUMPTIONS**

**June 30, 2024 – Pension and OPEB**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.8% to 7.1%. The initial healthcare trend rate for post-65 was changed from 8.5% to 8%.

**June 30, 2023 – Pension and OPEB**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

**June 30, 2022 – Pension and OPEB**

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

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

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2025**

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

**June 30, 2021 – Pension and OPEB**

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

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

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

**June 30, 2020 – Pension and OPEB**

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

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

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

**June 30, 2019 – Pension and OPEB**

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

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

**June 30, 2018 – Pension and OPEB**

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

**June 30, 2017 - Pension**

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

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

**June 30, 2016 – Pension and OPEB**

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

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2025**

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

**June 30, 2015 - Pension**

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

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

## **SUPPLEMENTARY INFORMATION**

## **COST ALLOCATION POLICY**

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

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

Direct/Shared Costs

1. **Salary** - Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer, and any employee whose time is so fragmented between elements are charged as shared costs.
2. **Employee Burden** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost is also charged as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is charged as a shared cost.
3. **Consultant Contracts and Contractual Services** - Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.
4. **Printing** - Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.
5. **Travel** - All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs for staff and board member are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.
6. **Vacation, Sick and Holiday Leave** - All leave which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as a direct cost. Any leave which is related to an employee whose salary is being charged as a shared cost is also charged as a shared cost.
7. **Audit Fees** - All audit fees are charged as a shared cost.
8. **Space Cost** - The space cost is charged as a shared cost.
9. **Equipment Rental/Purchase** - During the year, all payments for office equipment that benefit all grants and/or program elements are charged as shared costs. In accordance with the District's policy on capitalization, all equipment purchases under \$5,000 are charged as shared costs to all grants and program elements. Equipment purchases more than \$5,000 are ineligible grant costs and therefore are paid out of local cash. These items are then depreciated, and the depreciation is charged as a shared cost.

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

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10. **Communications** - All communication costs, including telephone, postage and the like, are charged as shared costs.
  
11. All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or prohibited by Federal regulations.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF SHARED COSTS**  
**for the year ended June 30, 2025**

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**Cost Category**

Personnel compensation	\$ 311,116
Fringe benefits	182,316
Travel	9,982
Accounting	25,500
Supplies	44,353
Postage	15,873
Telephone and utilities	48,393
Dues, fees and subscriptions	29,434
Equipment, leases and depreciation	244,382
Other	<u>135,041</u>
 Total shared costs allocated	 <u>\$ 1,046,390</u>

**STATEMENTS OF OPERATIONS  
BY PROGRAM**

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS BY PROGRAM**  
for the year ended June 30, 2025

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	Other Grants	Local Operations	G & A Expense	Total
<b>Revenues</b>							
Federal	\$ 265,965	\$ 1,389,326	\$ 151,095	\$ 415,548	\$ -	\$ -	\$ 2,221,934
State	259,427	1,469,949	-	208,482	-	-	1,937,858
Local	-	459,293	-	-	-	-	459,293
Other	-	25,822	32,443	20,891,993	108,672	-	21,058,930
Interest on advance	-	-	-	-	-	-	-
Program income	-	1,698	-	-	-	-	1,698
Applied to programs	83,945	168,063	3,075	43,228	(298,311)	-	-
Total revenues	<u>609,337</u>	<u>3,514,151</u>	<u>186,613</u>	<u>21,559,251</u>	<u>(189,639)</u>	<u>-</u>	<u>25,679,713</u>
<b>Expenses</b>							
Salaries	258,396	844,445	1,265	17,810,563	-	311,116	19,225,785
Employee benefits	155,191	499,994	917	599,237	(285,257)	182,316	1,152,398
Travel	24,446	53,371	965	37,865	138	9,982	126,767
Subgrantees	-	639,793	-	-	-	-	639,793
Other costs	33,220	1,086,175	169,554	490,910	170,565	542,976	2,493,400
Total direct cost	471,253	3,123,778	172,701	18,938,575	(114,554)	1,046,390	23,638,143
Shared costs	138,084	390,373	728	517,205	-	(1,046,390)	-
Total expenses	<u>609,337</u>	<u>3,514,151</u>	<u>173,429</u>	<u>19,455,780</u>	<u>(114,554)</u>	<u>-</u>	<u>23,638,143</u>
<b>Revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,184</u>	<u>\$ 2,103,471</u>	<u>\$ (75,085)</u>	<u>\$ -</u>	<u>\$ 2,041,570</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
JOINT FUNDING ADMINISTRATION PROGRAM  
for the year ended June 30, 2025**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
<b>Revenues</b>							
Federal Funds		\$ 265,965	\$ -	\$ -	\$ 265,965	\$ -	
State Funds		259,427	-	-	259,427	-	
Local Funds		<u>83,945</u>	<u>-</u>	<u>-</u>	<u>83,945</u>	<u>-</u>	
		<u>609,337</u>	<u>-</u>	<u>-</u>	<u>609,337</u>	<u>-</u>	
<b>Expenses</b>							
Community & Economic Planning & Development	120	128,300	98,461	29,839	128,300	-	
Community Development Block Grant	125	57,272	43,346	13,926	57,272	-	
ARC Planning	130	242,493	187,311	55,182	242,493	-	
Management Assistance	140	93,023	72,929	20,094	93,023	-	
Program Administration	150	<u>88,249</u>	<u>69,206</u>	<u>19,043</u>	<u>88,249</u>	<u>-</u>	
		<u>609,337</u>	<u>471,253</u>	<u>138,084</u>	<u>609,337</u>	<u>-</u>	<u>\$ -</u>
<b>Revenues over expenses</b>		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
AREA AGENCY ON AGING  
for the year ended June 30, 2025**

	Agency Adminis- tration	Social Services Title III-B	Ombudsman Title III-B	Admin CG Meals Title III-C1	CG Meals Title III-C1	Admin HD Meals Title III-C2	HD Meals Title III-C2	Preventative Health Title III-D	Caregiver Admin Title III-E	Caregiver Services Title III-E	Total Homecare	Total Title V-VII	<b>Subtotal Contracts</b>
<b>Revenues</b>													
Federal grant	\$ 16,323	\$ 227,308	\$ 19,188	\$ 5,062	\$ 257,149	\$ 8,059	\$ 320,708	\$ 23,052	\$ 7,193	\$ 89,725	\$ -	\$ 251,720	\$ 1,225,487
State grant	6,428	12,375	3,000	37,429	189,415	17,308	561,117	1,931	-	7,786	459,456	1,972	1,298,217
Local	-	143,842	-	-	163,645	-	109,866	-	-	-	-	41,940	459,293
Other	-	-	-	-	4,853	-	1,000	15,350	-	-	4,619	-	25,822
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	1,698	-	-	-	-	-	-	-	1,698
Local funds applied	5,534	3,957	6,636	1,685	-	-	-	11,128	2,831	23,201	67,906	6,729	129,607
<b>Total revenues</b>	<b>28,285</b>	<b>387,482</b>	<b>28,824</b>	<b>44,176</b>	<b>616,760</b>	<b>25,367</b>	<b>992,691</b>	<b>51,461</b>	<b>10,024</b>	<b>120,712</b>	<b>531,981</b>	<b>302,361</b>	<b>3,140,124</b>
<b>Expenses</b>													
Salaries	11,696	69,138	11,315	19,051	71,320	10,765	100,862	15,844	4,364	15,974	209,825	198,189	738,343
Fringe benefits	7,652	52,814	7,892	12,314	45,871	6,525	77,539	12,913	2,752	10,289	154,442	37,822	428,825
Staff travel	68	11,643	2,495	-	2,118	-	3,625	98	-	59	29,209	1,187	50,502
Subgrantees	-	179,992	-	-	202,436	-	198,183	-	-	-	-	41,940	622,551
Other costs	2,409	33,179	709	2,339	255,889	2,304	552,920	13,005	532	85,622	16,888	2,919	968,715
<b>Total direct cost</b>	<b>21,825</b>	<b>346,766</b>	<b>22,411</b>	<b>33,704</b>	<b>577,634</b>	<b>19,594</b>	<b>933,129</b>	<b>41,860</b>	<b>7,648</b>	<b>111,944</b>	<b>410,364</b>	<b>282,057</b>	<b>2,808,936</b>
Shared costs	6,460	40,716	6,413	10,472	39,126	5,773	59,562	9,601	2,376	8,768	121,617	20,304	331,188
<b>Total expenses</b>	<b>28,285</b>	<b>387,482</b>	<b>28,824</b>	<b>44,176</b>	<b>616,760</b>	<b>25,367</b>	<b>992,691</b>	<b>51,461</b>	<b>10,024</b>	<b>120,712</b>	<b>531,981</b>	<b>302,361</b>	<b>3,140,124</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
AREA AGENCY ON AGING (CONTINUED)  
for the year ended June 30, 2025**

	KY LTC Ombudsman	KY Caregiver	Medicaid ADRC	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	NSIP	SHIP	Subtotal Contracts	Total Area Agency on Aging
<b>Revenues</b>										
Federal grant	\$ -	\$ -	\$ 29,450	\$ 10,955	\$ 6,442	\$ 6,727	\$ 80,919	\$ 29,346	\$ 163,839	\$ 1,389,326
State grant	54,179	106,553	11,000	-	-	-	-	-	171,732	1,469,949
Local	-	-	-	-	-	-	-	-	-	459,293
Other	-	-	-	-	-	-	-	-	-	25,822
Interest on advance	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	1,698
Local funds applied	4,259	221	21,205	911	243	397	-	11,220	38,456	168,063
<b>Total revenues</b>	<b>58,438</b>	<b>106,774</b>	<b>61,655</b>	<b>11,866</b>	<b>6,685</b>	<b>7,124</b>	<b>80,919</b>	<b>40,566</b>	<b>374,027</b>	<b>3,514,151</b>
<b>Expenses</b>										
Salaries	24,998	24,255	27,285	5,320	2,970	3,206	-	18,068	106,102	844,445
Fringe benefits	16,074	16,319	18,723	3,576	2,042	2,135	-	12,300	71,169	499,994
Staff travel	2,780	30	-	-	-	-	-	59	2,869	53,371
Subgrantees	-	-	-	-	-	-	17,242	-	17,242	639,793
Other costs	873	52,624	286	-	-	-	63,677	-	117,460	1,086,175
<b>Total direct cost</b>	<b>44,725</b>	<b>93,228</b>	<b>46,294</b>	<b>8,896</b>	<b>5,012</b>	<b>5,341</b>	<b>80,919</b>	<b>30,427</b>	<b>314,842</b>	<b>3,123,778</b>
Shared costs	13,713	13,546	15,361	2,970	1,673	1,783	-	10,139	59,185	390,373
<b>Total expenses</b>	<b>58,438</b>	<b>106,774</b>	<b>61,655</b>	<b>11,866</b>	<b>6,685</b>	<b>7,124</b>	<b>80,919</b>	<b>40,566</b>	<b>374,027</b>	<b>3,514,151</b>
<b>Revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**HEMOCARE**  
**for the year ended June 30, 2025**

	Admin	Assessment	Case Management	Social Services	<b>Total Homecare</b>
<b>Revenues</b>					
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	35,215	8,302	120,746	295,193	459,456
Local	-	-	-	-	-
Other	-	-	4,619	-	4,619
Interest on advance	-	-	-	-	-
Program income	-	-	-	-	-
Local funds applied	<u>27,211</u>	<u>314</u>	<u>4,156</u>	<u>36,225</u>	<u>67,906</u>
Total revenues	<u>62,426</u>	<u>8,616</u>	<u>129,521</u>	<u>331,418</u>	<u>531,981</u>
<b>Expenses</b>					
Salaries	25,623	3,774	54,581	125,847	209,825
Fringe benefits	16,841	2,460	33,570	101,571	154,442
Staff travel	113	301	1,773	27,022	29,209
Subgrantees	-	-	-	-	-
Other costs	<u>5,672</u>	<u>-</u>	<u>10,166</u>	<u>1,050</u>	<u>16,888</u>
Total direct cost	48,249	6,535	100,090	255,490	410,364
Shared costs	<u>14,177</u>	<u>2,081</u>	<u>29,431</u>	<u>75,928</u>	<u>121,617</u>
Total expenses	<u>62,426</u>	<u>8,616</u>	<u>129,521</u>	<u>331,418</u>	<u>531,981</u>
<b>Revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**TITLE V and VII**  
**for the year ended June 30, 2025**

	Title V			Total Title V	Title VII		Total Title VII	Schedule Total
	Admin	Enrollees	Other		Elder Abuse	Ombuds- man		
<b>Revenues</b>								
Federal grant	\$ 14,594	\$ 175,196	\$ 55,721	\$ 245,511	\$ 2,391	\$ 3,818	\$ 6,209	\$ 251,720
State grant	-	-	-	-	406	1,566	1,972	1,972
Local	-	-	41,940	41,940	-	-	-	41,940
Other	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Local funds applied	2,234	1	2,196	4,431	2,086	212	2,298	6,729
Total revenues	16,828	175,197	99,857	291,882	4,883	5,596	10,479	302,361
<b>Expenses</b>								
Salaries	7,425	162,654	23,539	193,618	2,154	2,417	4,571	198,189
Fringe benefits	5,037	12,543	17,032	34,612	1,432	1,778	3,210	37,822
Staff travel	135	-	952	1,087	100	-	100	1,187
Subgrantees	-	-	41,940	41,940	-	-	-	41,940
Other costs	70	-	2,849	2,919	-	-	-	2,919
Total direct cost	12,667	175,197	86,312	274,176	3,686	4,195	7,881	282,057
Shared costs	4,161	-	13,545	17,706	1,197	1,401	2,598	20,304
Total expenses	16,828	175,197	99,857	291,882	4,883	5,596	10,479	302,361
<b>Revenue over expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
OTHER AGING PROGRAMS  
for the year ended June 30, 2025**

	Elder Abuse Grant	Elder Abuse Council	Senior Games	Senior Center Special Projects	Perry Senior Center Breakfast	INNU Suicide Prevention Grant	ADVC Vaccine Grant	<b>Total Other Aging</b>
<b>Revenues</b>								
Federal grant	\$ 146,564	\$ -	\$ -	\$ -	\$ -	\$ 4,531	\$ -	\$ 151,095
State grant	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-
Other	-	13,590	9,313	3,209	6,331	-	-	32,443
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Local funds applied	-	1	-	3,037	-	-	37	3,075
<b>Total revenues</b>	<b>146,564</b>	<b>13,591</b>	<b>9,313</b>	<b>6,246</b>	<b>6,331</b>	<b>4,531</b>	<b>37</b>	<b>186,613</b>
<b>Expenses</b>								
Salaries	66	-	-	509	-	674	16	1,265
Fringe benefits	39	-	-	366	-	500	12	917
Staff travel	-	-	-	-	-	965	-	965
Subgrantees	-	-	-	-	-	-	-	-
Other costs	133,240	13,591	9,313	5,079	6,331	2,000	-	169,554
<b>Total direct cost</b>	<b>133,345</b>	<b>13,591</b>	<b>9,313</b>	<b>5,954</b>	<b>6,331</b>	<b>4,139</b>	<b>28</b>	<b>172,701</b>
Shared costs	35	-	-	292	-	392	9	728
<b>Total expenses</b>	<b>133,380</b>	<b>13,591</b>	<b>9,313</b>	<b>6,246</b>	<b>6,331</b>	<b>4,531</b>	<b>37</b>	<b>173,429</b>
<b>Revenue over expenses</b>	<b>\$ 13,184</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,184</b>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
OTHER GRANTS AND PERFORMANCE CONTRACTS  
for the year ended June 30, 2025**

	Transportation Planning	Transportation Road Updates	FEMA	Transportation SS4A	Performance Contracts	Total
<b>Revenues</b>						
Federal	\$ -	\$ 3,605	\$ -	\$ 67,969	\$ 343,974	\$ 415,548
State	83,454	901	-	7,181	116,946	208,482
Local	-	-	-	-	-	-
Other	-	-	-	-	20,891,993	20,891,993
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Applied to programs	18,426	1,728	20,967	1,187	920	43,228
Total revenues	<u>101,880</u>	<u>6,234</u>	<u>20,967</u>	<u>76,337</u>	<u>21,353,833</u>	<u>21,559,251</u>
<b>Expenses</b>						
Salaries	40,465	2,778	9,077	10,912	17,747,331	17,810,563
Employee benefits	30,583	1,872	5,447	7,178	554,157	599,237
Travel	4,966	32	1,594	658	30,615	37,865
Subgrantees	-	-	-	-	-	-
Other costs	2,145	-	-	51,549	437,216	490,910
Total direct cost	78,159	4,682	16,118	70,297	18,769,319	18,938,575
Shared costs	23,721	1,552	4,849	6,040	481,043	517,205
Total expenses	<u>101,880</u>	<u>6,234</u>	<u>20,967</u>	<u>76,337</u>	<u>19,250,362</u>	<u>19,455,780</u>
<b>Revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,103,471</u>	<u>\$ 2,103,471</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky River Area Development District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
December 1, 2025



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Kentucky River Area Development District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Kentucky River Area Development District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
December 1, 2025

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended June 30, 2025**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Amount Passed to Subrecipients	Expenditures
Appalachian Regional Commission					
Direct Award					
ARC Planning	23.009	KY-702-I-C56-25	1/1/25-12/31/25	\$ -	\$ 74,759
ARC Planning	23.009	KY-702-I-C55-24	1/1/24-12/31/24	-	74,140
ARC LDD Ready	23.002	CC-21218-LDD-23	7/1/23-6/30/25	-	50,000
ARC Transformational Flood Recovery Grant	23.002	PW-21445-TA-23	3/1/24-10/1/25	-	30,636
ARC Disaster Preparedness Plan	23.002	KY-21562-2024	12/1/23-6/30/25	-	209,300
Total Appalachian Regional Commission				<u>-</u>	<u>438,835</u>
U.S. Department of Commerce (Commerce)					
Economic Development Administration					
Passed through State (DLG) (Note 1)					
JFA - Community and Economic Assistance	11.302	PON2 112 2400004763	7/1/24-6/30/25	-	92,847
U.S. Department of Commerce (Commerce)					
Direct Award					
EDA Disaster Resilience	11.307	ED24ATL0G0129	9/9/24-9/9/27	-	54,038
Total Commerce				<u>-</u>	<u>146,885</u>
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) (Note 1)					
JFA - CDBG	14.228	PON2 112 2400004763	7/1/24-6/30/25	-	24,219
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS/DAIL) (Note 2)					
Title III, Part B & C, NSIP Aging Cluster					
Title III B Support Services	93.044	PON3 725 2400000102	7/1/24-6/30/26	36,150	244,670
COVID-19 Title III B Support Services - ARPA	93.044	PON3 725 2400000102	7/1/24-6/30/26	-	6,630
Title III C1 Congregate Meals	93.045	PON3 725 2400000102	7/1/24-6/30/26	38,791	267,322
Title III C2 Home Delivered Meals	93.045	PON3 725 2400000102	7/1/24-6/30/26	88,317	335,175
NSIP	93.053	PON3 725 2400000082	10/1/24-9-30-25	17,242	57,163
NSIP	93.053	PON3 725 2400000006	10/1/23-9/30/24	-	23,756
Total aging cluster				180,500	934,716
Title VII Elder Abuse	93.041	PON 3 725 2400000100	7/1/24-6/30/26	-	2,391
Title VII Ombudsman	93.041	PON 3 725 2400000100	7/1/24-6/30/26	-	3,818
Title VII Elder Abuse Grant	93.041	PON3 725 2400000100	7/1/24-6/30/25	-	146,564
Title III D Preventative Health	93.043	PON3 725 2400000102	7/1/24-6/30/26	-	23,052
INNU	93.048	PON3 725 2400000103	7/1/24-6/30/26	-	4,531
Title III E Caregiver	93.052	PON3 725 2400000102	7/1/24-6/30/26	-	87,353
COVID-19 Title III E Caregiver - ARPA	93.052	PON3 725 2400000102	7/1/24-6/30/26	-	9,565
MIPPA SHIP	93.071	PON3 725 2400000081	9/1/24-8/31/25	-	10,955
MIPPA AAA	93.071	PON3 725 2400000081	9/1/24-8/31/25	-	6,442
MIPPA ADRC	93.071	PON3 725 2400000081	9/1/24-8/31/25	-	6,727
CMS SHIP	93.324	PON3 725 2400000094	7/1/24-6/30/26	-	29,346
Medicaid ADRC	93.778	PON3 725 2400000066	7/1/24-6/30/26	-	29,450
<b>Total Health and Human Services</b>				<u>180,500</u>	<u>1,294,910</u>
U.S. Department of Transportation (Transportation)					
Passed through State, Transportation Cabinet					
Transportation SS4	20.939	693JJ32340226	7/1/23-6/30/26	-	67,969
Road Updates	20.205	N/A	7/1/24-6/30/25	-	3,605
<b>Total Transportation</b>				<u>-</u>	<u>71,574</u>
U.S. Department of Labor (DOL)					
Passed through State (CHFS/DAIL)					
Title V SCSEP	17.235	PON3 725 2400000101	7/1/24-6/30/26	-	245,511
<b>Total federal expenditures</b>				<u>\$ 180,500</u>	<u>\$ 2,221,934</u>

**KENTUCKY RIVER AREA DEVELOPMENT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2025**

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**Notes:**

- 1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).
  
- 2) The Health & Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services (CHFS), Department of Aging and Independent Living (DAIL).
  
- 3) Unearned revenue from other grantors both current and prior are disclosed in Note 5 to the financial statements.

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kentucky River Area Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Indirect Cost Rates: The Kentucky River Area District did not elect to use the 10 percent *de minimis* cost rate as allowed under the *Uniform Guidance*.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2025**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

Internal control over major programs:

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

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

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__Yes	<u>X</u> No
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**Major Programs:**

AL Number	Name of Federal Program or Cluster
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93.044, 93.045, 93.053	Title III B & C NSIP Aging Cluster
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Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
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Auditee qualified as a low risk auditee?	__Yes	<u>X</u> No
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**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

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

NONE

**IV. PRIOR AUDIT FINDINGS**

2024-001 The Kentucky River Area Development District Failed To Report All Financial Activity Resolved

2024-002 The Kentucky River Area Development District Report Expenditures As Transfers Incorrectly Resolved