

**REPORT OF THE AUDIT OF THE
CUMBERLAND VALLEY AREA DEVELOPMENT
DISTRICT**

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



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

Independent Auditor's Report

To the Board of Directors
Cumberland Valley Area Development District
London, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland Valley Area Development District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cumberland Valley Area Development 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cumberland Valley 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.



To the Board of Directors
Cumberland Valley Area Development District
London, Kentucky

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7, the Budgetary Comparison Schedules on pages 41 through 43, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 47 and Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions on page 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Cumberland Valley Area Development District
London, Kentucky

Other Matters (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland Valley Area Development District's basic financial statements. The schedule of shared costs, statement of completed grants, schedule of revenues and expenses consumer directed option program, and statement of operations by program presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules 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 16, 2022, on our consideration of the Cumberland Valley Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cumberland Valley Area Development District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cumberland Valley Area Development District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 16, 2022

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

As management of the Cumberland Valley Area Development District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments; Omnibus, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The District's solid financial position is attributed to sound fiscal management and continuing review of all policies in search of ways to increase revenues and/or reduce costs. Our current financial position is strong and our budget for FY 2022 is solid and supports the needs of the District.

OVERVIEW OF FINANCIAL STATEMENTS

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.

The District's financial statements utilize the accrual basis of accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board (GASB). The District is a single fund, special purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the 8-county area. As such, the entity-wide financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These statements display information about the entity.

The District does not utilize multiple funds in accounting for its financial activities; therefore, fund type statements are not presented. The Statements of Net Position details the District's assets and liabilities and very similar to the balance sheet. The Statements of Revenues, Expenses and Changes in Net Position details revenue classified by source and expenditures by purpose for separate fiscal years and the also considers adjustments, if any, for prior year events.

The basic financial statements can be found in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found in the table of contents this report.

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

FINANCIAL ANALYSIS

The enclosed financial statements summarize the overall financial condition of CVADD for the fiscal years ended June 30, 2022 and 2021, as summarized in the following table:

	FY 2022	FY 2021
Current Assets	\$ 4,095,422	\$ 3,359,041
Notes Receivable, long term		100,148
Capital Assets	243,472	265,717
Deferred Outflows of resources	945,052	921,823
Total Assets and Deferred Outflows	<u>\$ 5,283,946</u>	<u>\$ 4,646,729</u>
Current Liabilities	939,469	748,503
Net Pension Liability	2,513,589	2,865,865
Net OPEB Liability	754,580	901,986
Long Term Liabilities		
Total Liabilities	<u>4,207,638</u>	<u>4,516,354</u>
Deferred inflow of resources	964,093	466,796
Net Position		
Invested in capital assets	243,472	265,717
Restricted	1,444,025	1,459,359
Unrestricted	<u>(1,575,282)</u>	<u>(2,061,497)</u>
Total Net Position	<u>112,215</u>	<u>(336,421)</u>
Total Liabilities, Deferred inflows, & Net Position	<u>\$ 5,283,946</u>	<u>\$ 4,646,729</u>

Net position may serve over time as a useful indicator of a district's financial position. Cumberland Valley Area Development District assets exceeded liabilities by \$112,215 as of June 30, 2022, an increase of \$448,636 from the previous year.

The largest portion of the District's net position reflects its restricted assets, such as restricted cash for grant and revolving loan activities.

The following table presents a summary of revenues, expenses, and changes in fund balance reported for the fiscal year ended June 30, 2022, compared to the fiscal year ended June 30, 2021.

See table on next page

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

FINANCIAL ANALYSIS (Continued)

	FY 2022	FY 2021
Revenues:		
Federal and state revenues	\$ 8,440,351	\$ 4,560,611
Local Revenues	370,816	318,075
Interest Income		
Total Revenues	<u>\$ 8,811,167</u>	<u>\$ 4,878,686</u>
Expenses		
Personnel	1,557,058	1,570,766
Contractual	5,750,477	2,064,038
Other	<u>1,135,493</u>	<u>894,199</u>
Total Operating Expenses	8,443,028	4,529,003
Operating Income	368,139	349,683
Non-operating Income (Expense)	<u></u>	<u>(169,613)</u>
Increase (decrease) in fund balance	<u>\$ 368,139</u>	<u>\$ 180,070</u>

From June 30, 2021 to June 30, 2022, CVADD's fund balance increased \$368,138. Current fiscal year revenues increased \$3,932,481. This increase is attributable to the CDO program classified on the financial statements.

Capital Assets

The following table summarizes the capital asset and depreciation activity of the District for the year ended June 30, 2022:

	FY 2021	Additions	Deductions	FY 2022
Property, furniture, vehicles, equipment	\$ 235,870	\$	\$	\$ 235,870
Building and land	<u>886,581</u>			<u>886,581</u>
Total fixed assets	1,122,451			1,122,451
Less: accumulated depreciation	<u>(856,734)</u>	<u>(22,245)</u>		<u>(878,979)</u>
Net	<u>\$ 265,717</u>	<u>\$ (22,245)</u>	<u>\$ 0</u>	<u>\$ 243,472</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District is experiencing slow-growing revenues and rising operating costs. More economical ways of delivering services and paying for those services is currently being researched.

In summary, the District enjoys a high level of services, excellent facilities, and adequate financial reserves. However, the reality is that steady development in the District that would generate new revenue to offset increased costs has not occurred due to state and federal budget constraints.

**CONTACTING THE CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
MANAGEMENT**

Questions regarding this report should be directed to the Executive Director by phone (606) 864-7391 or by mail at PO Box 1740, London, KY 40743.

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
BASIC FINANCIAL STATEMENTS**

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CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government		
	Governmental	Business-Type	Totals
	Activities	Activities	
ASSETS			
Current Assets:			
Cash - unrestricted	\$ 1,287,092	\$	\$ 1,287,092
Cash - restricted		1,447,771	1,447,771
Accounts Receivable	1,360,559		1,360,559
Total Current Assets	2,647,651	1,447,771	4,095,422
Noncurrent Assets:			
Restricted notes receivable, net of current portion			
Capital Assets, net	243,472		243,472
Total Noncurrent Assets	243,472		243,472
Total Assets	2,891,123	1,447,771	4,338,894
Deferred Outflows of Resources			
Deferred outflows from pensions	500,721		500,721
Deferred outflows from OPEB	444,331		444,331
Total Deferred Outflows of Resources	945,052		945,052
Total assets and deferred outflows	3,836,175	1,447,771	5,283,946
LIABILITIES			
Current Liabilities:			
Accounts Payable	725,997	3,746	729,743
Accrued payroll and payroll taxes	192,961		192,961
Other current liabilities	16,765		16,765
Total Current Liabilities	935,723	3,746	939,469
Other Liabilities			
Net Pension Liability	2,513,589		2,513,589
Net OPEB Liability	754,580		754,580
Total Noncurrent Liabilities	3,268,169		3,268,169
Deferred Inflows of Resources			
Deferred pension inflows	518,462		518,462
Deferred OPEB inflows	445,631		445,631
Total Deferred Inflows of Resources	964,093		964,093
NET POSITION			
Net investment in capital assets	\$ 243,472	\$	\$ 243,472
Restricted For:			
Other		1,444,025	1,444,025
Unrestricted	(1,575,282)		(1,575,282)
Total Net Position	\$ (1,331,810)	\$ 1,444,025	\$ 112,215
Total Liabilities, Deferred Inflows and Net Position	\$ 3,836,175	\$ 1,447,771	\$ 5,283,946

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

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

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Grants	\$ 6,127,390	\$	\$ 7,618,917	\$
General	2,363,497		821,434	
Total Governmental Activities	8,490,887		8,440,351	
Business-type Activities:				
Revolving Loan Activities				
Total Business-type Activities				
Total Primary Government	\$ 8,490,887	\$ 0	\$ 8,440,351	\$ 0

General Revenues:

Interest Income

Membership Dues

Other

Transfers in(out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (Restated)

Net Position - Ending

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

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

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ 1,491,527	\$	\$ 1,491,527
(1,542,063)		(1,542,063)
(50,536)		(50,536)
(50,536)		(50,536)
	685	685
72,517		72,517
294,553	7,477	302,030
3,746	(3,746)	
370,816	4,416	375,232
320,280	4,416	324,696
(1,652,090)	1,439,609	(212,481)
\$ (1,331,810)	\$ 1,444,025	\$ 112,215

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

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Special Revenue Fund - Aging	Special Revenue Funds - CDO	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 831,272	\$ 186,429	\$ 269,391	\$ 1,287,092
Accounts Receivable	963,363	372,771	24,425	1,360,559
Total Assets	<u>1,794,635</u>	<u>559,200</u>	<u>293,816</u>	<u>2,647,651</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	25,537	697,592	2,868	725,997
Accrued Expenses	157,706		35,255	192,961
Unearned Revenues	16,765			16,765
Total Liabilities	<u>200,008</u>	<u>697,592</u>	<u>38,123</u>	<u>935,723</u>
FUND BALANCES				
Restricted		(138,392)	255,693	117,301
Unassigned	1,594,627			1,594,627
Total Fund Balances	<u>1,594,627</u>	<u>(138,392)</u>	<u>255,693</u>	<u>1,711,928</u>
Total Liabilities and Fund Balances	<u>\$ 1,794,635</u>	<u>\$ 559,200</u>	<u>\$ 293,816</u>	<u>\$ 2,647,651</u>

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

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2022**

Total Fund Balances	\$ 1,711,928
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	243,472
Deferred outflow of resources are not recorded in the government fund financials because they do not affect current resources, but are recorded in the statement of net position.	945,052
Noncurrent liabilities are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(3,268,169)
Deferred inflows of resources are not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(964,093)</u>
Net Position Of Governmental Activities	<u>\$ (1,331,810)</u>

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

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

	General Fund	Special Revenue Fund - Aging	Special Revenue Fund - CDO	Total Governmental Funds
REVENUES				
Federal Grants	\$ 466,641	\$ 1,352,931	\$	\$ 1,819,572
State Grants	354,793	1,750,916	4,515,070	6,620,779
Dues	72,517			72,517
Program Fees and donations	10,399	27,141		37,540
Required match	15,807	209,339		225,146
Other		35,613		35,613
Total Revenues	<u>920,157</u>	<u>3,375,940</u>	<u>4,515,070</u>	<u>8,811,167</u>
EXPENDITURES				
Salaries and benefits	1,557,058			1,557,058
Travel	35,581			35,581
Shared expenses	509,837			509,837
Other	186,934	147,679	30,318	364,931
Services and contracts	10,421	2,056,659	3,683,397	5,750,477
Required match	15,807	209,339		225,146
Total Expenditures	<u>2,315,638</u>	<u>2,413,677</u>	<u>3,713,715</u>	<u>8,443,030</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,395,481)</u>	<u>962,263</u>	<u>801,355</u>	<u>368,137</u>
Other Financing Sources (Uses)				
Operating transfers in	1,588,087			1,588,087
Operating transfers out		(953,214)	(634,873)	(1,588,087)
Total Other Financing Sources (Uses)	<u>1,588,087</u>	<u>(953,214)</u>	<u>(634,873)</u>	
Net Change in Fund Balances	192,606	9,049	166,482	368,137
Fund Balances - Beginning	1,402,021	(147,441)	89,211	1,343,791
Fund Balances - Ending	<u>\$ 1,594,627</u>	<u>\$ (138,392)</u>	<u>\$ 255,693</u>	<u>\$ 1,711,928</u>

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

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

Net Change in Fund Balances - Total Governmental Funds	\$	368,137
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlay expense for the year.		(22,245)
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Pension contributions are recorded in the fund statements but are deferred outflows on the statement of net position while calculated pension expense is recorded in the statement of activities.		<u>(25,612)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>320,280</u></u>
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The accompanying notes are an integral part of the financial statement.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2022

	Business-Type Activities - Enterprise Funds		
	RLF EDA Fund	RLF ARC Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,432,130	\$ 15,641	\$ 1,447,771
Total Current Assets	<u>1,432,130</u>	<u>15,641</u>	<u>1,447,771</u>
Total Assets	<u>1,432,130</u>	<u>15,641</u>	<u>1,447,771</u>
Liabilities			
Current Liabilities			
Accounts payable	<u>3,746</u>		<u>3,746</u>
Total current liabilities	<u>3,746</u>		<u>3,746</u>
Total Liabilities	<u>3,746</u>		<u>3,746</u>
Net Position			
Restricted for:			
Other	<u>1,428,384</u>	<u>15,641</u>	<u>1,444,025</u>
Total Net Position	<u>\$ 1,428,384</u>	<u>\$ 15,641</u>	<u>\$ 1,444,025</u>

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

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For The Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds		
	RLF EDA Fund	RLF ARC Fund	Totals
Operating Revenues			
Interest from loans	\$ 7,492	\$	\$ 7,492
Total Operating Revenues	7,492		7,492
Operating Expenses			
Other	15		15
Total Operating Expenses	15		15
Operating Income (Loss)	7,477		7,477
Nonoperating Revenues (Expenses)			
Interest Income	683	2	685
Total Nonoperating Revenues (Expenses)	683	2	685
Income before contributions transfers and special items	8,160	2	8,162
Transfers in(out)	(3,746)		(3,746)
Change In Net Position	4,414	2	4,416
Net Position as of June 30, 2021	1,442,367	16,992	1,459,359
Prior period adjustment	(18,397)	(1,353)	(19,750)
Net Position as of June 30, 2022	\$ 1,428,384	\$ 15,641	\$ 1,444,025

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

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds		
	RLF EDA Fund	RLF ARC Fund	Totals
Cash Flows From Operating Activities			
Cash Receipts From:			
Other Receipts	\$ 7,492	\$	\$ 7,492
Cash Payments to/for:			
Other Payments	3,730		3,730
Net Cash Used in Operating Activities	11,222		11,222
Cash Flows From Investing Activities			
Interest Earned	683	2	685
Transfer from(to) general fund	(3,746)		(3,746)
Net Cash Provided (Used) By Investing Activities	(3,063)	2	(3,061)
Cash Flows From Noncapital Financing Activities			
Payments on note receivable	180,777		180,777
Net Cash Provided (Used) By Noncapital Financing Activities	180,777	0	180,777
Net Increase (Decrease) in Cash and Cash Equivalents	188,936	2	188,938
Cash and Cash Equivalents - July 1	1,243,194	15,639	1,258,833
Cash and Cash Equivalents - June 30	\$ 1,432,130	\$ 15,641	\$ 1,447,771

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

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2022
(Continued)

	Business-Type Activities -		
	Enterprise Funds		
Reconciliation of Operating Income to			
Net Cash Provided (Used) by Operating	RLF	RLF	
Activities	EDA	ARC	Totals
	Fund	Fund	
Operating Income (Loss)	\$ 7,477	\$ 0	\$ 7,477
Adjustments to Reconcile Operating			
Income To Net Cash Provided (Used)			
By Operating Activities			
Depreciation Expense			
Net Cash Provided (Used) By Operating			
Activities	<u>\$ 7,477</u>	<u>\$ 0</u>	<u>\$ 7,477</u>

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

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cumberland Valley Area Development District ("District") was created and established by KRS 147A.050 to 147A.120 and is a "Public Agency" within the meaning of KRS 65.210 to 65.300. The purpose of the Area Development District (ADD) is to improve the quality of life in the Cumberland Valley area by promoting economic development, to provide basic facilities essential to the stimulation of business, manufacturing, services, tourism and commercial activities; and through efforts promoting human resource development to improve health, welfare and education systems within the eight county area consisting of Bell, Clay, Harlan, Jackson, Knox, Laurel, Rockcastle, and Whitley; and provide a forum for elected officials and citizens to reach a consensus and establish local-state-federal partnerships to seek a coordinated solution to problems. The Board of Directors is composed of 49 members made up 8 County Judge Executives, 22 Mayors, and 19 Citizen Members.

The basic financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Basis of Presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the basis of presentation:

Government-wide Financial Statements - The statement of net position and the statement of revenues, expenses, and changes in net position display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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 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 the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of 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.

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise 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. Fiduciary funds are reported by fund type.

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

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

The District has the following funds:

1. 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. This is always a major fund of the District.

The Special Revenue Fund - Aging account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The Special Revenue Fund – CDO account for proceeds of specific state revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the sources of funds. This is a major fund of the District.

2. Proprietary Fund Types

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, or other purposes. Both Revolving Loan Funds are major funds of the District.

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District uses the accrual basis of accounting.

Revenues – The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue are recognized as eligible expenses are incurred. Revenue is recognized on performance contracts based upon the percentage of completion or agreed upon services method.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, includes grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Revolving Loan Notes Receivable

Revolving loan notes receivable are stated at face value, less an allowance for loan losses. The allowance is established through periodic charges to direct expenses.

Allowance for Doubtful Accounts

The allowance for loan losses related to revolving loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

Cash and Cash Equivalents

The District has bank accounts and certificates of deposit. The monies are either maintained in a central bank account or used to purchase legal investments.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Estimated Lives
Buildings and infrastructure	10-50 years
Machinery and equipment	10 years

Accumulated Unpaid Vacation and Sick Leave Benefits

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Full-time employees accrued vacation time is based on the employee's length of service or specified in a written employment offer. The maximum amount of vacation time that can be accrued for any employee is 30 days. The entire unpaid vacation benefit liability is reported on the financial statements.

Sick leave benefits are accrued at the rate of one and one quarter (1.25) days per month with no maximum accumulation. Per District policy, no payment of sick will be made to any employee in the event of termination of employment, regardless of the reason. Therefore, there is no liability for unused sick leave benefits recorded in the accompanying financial statements.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bonds and Related Premiums, Discounts, and Issuance Costs

In the financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payables are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are: Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year. Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. For the District, those revenues are primarily grants and interest earned on revolving loans. All other revenues are non-operating, such as investment income. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating, such as interest expense.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

In-Kind

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

Cost Allocation Plan

The District is required by the Department of Local Government, to operate under a cost allocation plan that conforms to 2 CFR part 225. A summary of the cost allocation plan is described in detail in NOTE B. The District is in conformity with 2 CFR Part 225.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B. COST ALLOCATION

Joint Costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan. All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in 2 CFR part 225, Uniform Guidance (formerly OMB Circular A-87 and A-133) as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purposes benefiting more than one grant and/or program element. All costs are recognized under the provisions of 2 CFR Part 225, Uniform Guidance (formerly OMB Circular A-102).

NOTE C. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

At June 30, 2022, the carrying amount of the District's deposits (cash and investments) was \$2,734,863 and the bank balance was \$2,974,228. Of this amount, \$1,447,771 is restricted for the Revolving Loan Funds as required by the Economic Development Administration (EDA). If the EDA determines that the District has excess funds, then those monies would be sequestered into an interest-bearing account separately from other restricted funds.

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

NOTE D. ACCOUNTS RECEIVABLES

Grant and local receivables are expected to be fully collectible. Grant and local grants receivable consist of the following:

	<u>2022</u>
Grants	\$ 1,345,931
Various Local	<u>14,628</u>
	<u>\$ 1,360,559</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

NOTE E. REVOLVING LOAN PROGRAM AND RELATED RESTRICTED RECEIVABLES

The District received a grant of \$930,500 from the U.S. Department of Commerce, Economic Development Administration (EDA) to establish a revolving loan program to stimulate economic development in the area. In addition, the District provided a local match of \$393,500, as required by the grant. At June 30, 2022, the accompanying financial statements include revolving loans receivable of \$84,902 and cash of \$1,447,771. These loans receivable are restricted for the original use of the revolving loan program. One loan is in default, and therefore there is a balance of \$84,902 in allowance for doubtful accounts. Therefore, the net loan receivable balance at June 30, 2022 is \$0.00.

NOTE F. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	FY 2021	Additions	Deductions	FY 2022
Property, furniture, vehicles, equipment	\$ 235,870	\$	\$	\$ 235,870
Building and land	<u>886,581</u>			<u>886,581</u>
Total fixed assets	1,122,451			1,122,451
Less: accumulated depreciation	<u>(856,734)</u>	<u>(22,245)</u>		<u>(878,979)</u>
Net	<u>\$ 265,717</u>	<u>\$ (22,245)</u>	<u>\$ 0</u>	<u>\$ 243,472</u>

Depreciation expense is directly charged to local operations due to the nature of the District.

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

NOTE G. RETIREMENT PLANS

General information about the County Employees Retirement System Non-Hazardous (CERS)

Plan description—Substantially all full-time employees of the District participate in the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—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
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 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 87
	Reduced retirement	Not available

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.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Funding Policy – Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 26.95% of the employee’s total compensation subject to contribution.

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

NOTE G. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$2,513,589
	<u>\$2,513,589</u>

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.039424%. For the year ended June 30, 2022, the District recognized pension expense of \$31,580 related to CERS.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expect and actual experience	\$ 28,864	\$ 24,396
Changes of assumptions	33,735	
Net difference between projected and actual earnings on pension plan investments	97,511	432,530
Changes in proportion and differences between District contributions and proportionate share of contributions	102,519	61,536
District contributions subsequent to the measurement date	<u>238,092</u>	
Total	<u>\$ 500,721</u>	<u>\$ 518,462</u>

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

NOTE G. RETIREMENT PLANS (CONTINUED)

The \$238,092 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	(43,805)
2023	(35,238)
2024	(71,879)
2025	(104,911)
2026	
	<u>(255,833)</u>

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

	CERS
Inflation	2.30%
Projected salary increases	3.3-11.5%
Investment rate of return, net of investment expense & inflation	6.25%
Municipal bond index rate	
Single equalivant interest rate	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's 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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 3,223,797	\$ 2,513,589	\$ 1,925,909

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

NOTE G. RETIREMENT PLANS (CONTINUED)

Pension plan fiduciary net position—Detailed information about the CERS pension plans fiduciary net position, projected benefits, and projected funding status is available in separately issued financial reports at <http://kyret.ky.gov/>.

The payroll for employees covered under CERS was \$1,102,514. The contribution requirement for CERS for the year ended June 30, 2022, 2021, and 2020 was \$296,813, \$258,244, and \$245,384, respectively. The District met their contribution requirements.

NOTE H. OTHER POSTEMPLOYMENT BENEFITS PLAN

General information about the County Employees Retirement System Non-Hazardous (CERS)

Plan description—Employees are provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

Contributions—Required contributions by the employee are based on the tier:

Tier 1	Participation date	Before September 1, 2008
	Contribution percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution percentage	1%

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

NOTE H. OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2022, the District reported a liability of \$754,580 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the District's proportion was .037354 percent.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the CERS net OPEB liability	<u>\$754,580</u>
---	------------------

For the year ended June 30, 2022, the District recognized OPEB expense of \$5,967. On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expect and actual experience	\$ 118,658	\$ 225,293
Changes of assumptions	200,054	702
Net difference between projected and actual earnings on pension plan investments	38,018	156,062
Changes in proportion and differences between District contributions and proportionate share of contributions	28,880	63,574
District contributions subsequent to the measurement date	<u>58,721</u>	
Total	<u>\$ 444,331</u>	<u>\$ 445,631</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 5,269
2023	(12,634)
2024	(12,142)
2025	(40,513)
2026	<u>\$ (60,020)</u>

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

NOTE H. OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate – The Discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net pension liability	\$ 1,036,033	\$ 754,580	\$ 523,602

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's proportionate share of net pension liability	\$ 543,208	\$ 754,580	\$ 1,009,710

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

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

NOTE I. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

NOTE J. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2022, may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE K. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance, fidelity bonds and employee dishonesty bonds. The District has purchased certain policies, which are retrospectively rated, which include workers' compensation insurance. Contributions for workers' compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

NOTE L. CONCENTRATIONS

The District depends on grants from federal and state sources for its continued existence.

NOTE M. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE N. TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special Revenue - Aging	General	Indirect Costs/Reimbursements	\$ 953,214
Special Revenue - CDO	General	Indirect Costs/Reimbursements	\$ 634,873
RLF-EDA Fund	General	Indirect Costs/Reimbursements	\$ 3,746

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

NOTE O. RELATED PARTY TRANSACTIONS

The District provides fiscal management services to Cumberland Valley Area Development District PDS Program as Fiscal Agent (CVADD PDS). CVADD PDS operates the Participant Directed Services ("PDS") (formerly titled "Consumer Directed Options") program for the Cabinet for Health and Family Services and the Department of Aging and Independent Living (DAIL) for the District. Waiver clients have the option to choose PDS at any time. The District serves as the fiscal agent for the client and as a support broker. For support broker, the District earns \$162.50 per month per client based upon an actual visit (or via a telephone call contact during the COVID-19 pandemic) made by District staff. For financial management, the District earns \$162.50 per month per client. For medical goods, the PDS programs bills the state for actual costs when the need is determined. For payroll, claims are submitted to the state after payroll is processed. During the year ended June 30, 2022, the District earned \$634,873 from the PDS program for administration.

NOTE P. PRIOR PERIOD ADJUSTMENTS

The Governmental Funds beginning fund balance was adjusted by an increase of \$7,225 due to a prior year accounting adjustment regarding the CDO fund. It involved a transfer between funds and does not affect our opinion on this audit. The Beginning Net Position was adjusted by an increase of a net \$123,940 due to recording CDO Fund net position and an error correction in revolving loans funds.

NOTE Q. DEFICIT FUND BALANCE / NET POSITION

The Special Revenue Fund - Aging had a deficit fund balance of \$138,392 as of June 30, 2022. The Governmental Activities had a deficit net position of \$1,331,810 as of June 30, 2022.

NOTE R. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 21, 2022, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis**

For The Year Ended June 30, 2022

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CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal grants	\$ 489,402	\$ 469,318	\$ 466,641	\$ (2,677)
State grants	800,037	464,251	354,793	(109,458)
Dues	78,200	78,787	72,517	(6,270)
Program fees and donations			10,399	10,399
Required match			15,807	15,807
Total Revenues	<u>1,367,639</u>	<u>1,012,356</u>	<u>920,157</u>	<u>(92,199)</u>
EXPENDITURES				
Salaries and benefits	1,818,499	1,567,152	1,557,058	10,094
Travel	56,500	33,841	35,581	(1,740)
Shared expenses	586,080	550,903	509,837	41,066
Other	189,630	110,792	186,934	(76,142)
Services and contracts	122,100	14,000	10,421	3,579
Reserve for Transfer	63,257			
Required match	19,400	21,131	15,807	5,324
Total Expenditures	<u>2,855,466</u>	<u>2,297,819</u>	<u>2,315,638</u>	<u>(17,819)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,487,827)</u>	<u>(1,285,463)</u>	<u>(1,395,481)</u>	<u>(110,018)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>1,487,825</u>	<u>1,573,153</u>	<u>1,588,087</u>	<u>14,934</u>
Total Other Financing Sources (Uses)	<u>1,487,825</u>	<u>1,573,153</u>	<u>1,588,087</u>	<u>14,934</u>
Net Changes in Fund Balance	(2)	287,690	192,606	(95,084)
Fund Balance - Beginning			<u>1,402,021</u>	<u>1,402,021</u>
Fund Balance - Ending	<u>\$ (2)</u>	<u>\$ 287,690</u>	<u>\$ 1,594,627</u>	<u>\$ 1,306,937</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2022
(Continued)

SPECIAL REVENUE FUND - AGING				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal grants	\$ 622,228	\$ 622,228	\$ 1,352,931	\$ 730,703
State grants	1,500,000	1,500,000	1,750,916	250,916
Program fees and donations			27,141	27,141
Required match			209,339	209,339
Other	22,137		35,613	35,613
Total Revenues	2,144,365	2,122,228	3,375,940	1,253,712
EXPENDITURES				
Other	132,000	132,000	147,678	(15,678)
Services and contracts	1,090,112	983,134	2,056,659	(1,073,525)
Required match	66,228	66,228	209,339	(143,111)
Total Expenditures	1,288,340	1,181,362	2,413,676	(1,232,314)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	856,025	940,866	962,264	21,398
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(856,025)	(940,866)	(953,214)	(12,348)
Total Other Financing Sources (Uses)	(856,025)	(940,866)	(953,214)	(12,348)
Net Changes in Fund Balance			9,050	9,050
Fund Balance - Beginning			(147,441)	(147,441)
Fund Balance - Ending	\$ 0	\$ 0	\$ (138,391)	\$ (138,391)

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2022
(Continued)

SPECIAL REVENUE FUND - CDO				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal grants	\$ 3,624,000	\$ 3,685,981	\$ 4,515,070	\$ 829,089
Total Revenues	3,624,000	3,685,981	4,515,070	829,089
EXPENDITURES				
Other			30,317	(30,317)
Services and contracts	2,992,200	3,053,694	3,683,397	(629,703)
Total Expenditures	2,992,200	3,053,694	3,713,714	(660,020)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	631,800	632,287	801,356	169,069
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(631,800)	(632,287)	(634,873)	(2,586)
Total Other Financing Sources (Uses)	(631,800)	(632,287)	(634,873)	(2,586)
Net Changes in Fund Balance			166,483	166,483
Fund Balance - Beginning			89,211	89,211
Fund Balance - Ending	\$ 0	\$ 0	\$ 255,694	\$ 255,694

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2022

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares an annual budget based upon estimates of local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget shall be submitted to the board no later than thirty days prior to the beginning of the fiscal year it covers. The board adopts the budget. The District has the ability to amend the budget. The budget was properly amended during the year.

Actual expenditures exceeded budgeted expenditures in the following funds and accounts:

General fund

Travel expenditures \$1,740
Other expenditures \$76,142

Special Revenue Fund – Aging

Other expenditures \$15,678
Services and contracts expenditures \$1,073,525
Required match expenditures \$143,111

Special Revenue Fund – CDO

Other expenditures \$30,317
Services and contracts expenditures \$629,703

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

June 30, 2022

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
CERS PENSION - SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Required Supplementary Information**

June 30, 2022

	District's proportion of net pension liability (asset)	District's proportion share of the net pension liability (asset)	District's covered-employee payroll
2022	0.04%	\$2,513,589	\$1,102,514
2021	0.04%	\$2,865,865	\$1,049,673
2020	0.04%	\$2,753,156	\$1,019,882
2019	0.04%	\$2,613,532	\$1,055,847
2018	0.04%	\$2,563,983	\$1,095,718
2017	0.04%	\$2,273,282	\$1,075,138
2016	0.04%	\$1,843,379	\$1,132,246
2015	0.04%	\$1,411,000	\$1,029,493

District's proportion share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
227.99%	57.33%
273.02%	47.81%
269.95%	50.45%
247.53%	53.54%
234.00%	53.30%
211.44%	55.50%
162.81%	66.75%
137.06%	66.80%

The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
CERS PENSION - SCHEDULE OF CONTRIBUTIONS
Required Supplementary Information**

June 30, 2022

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>
2022	\$212,785	\$212,785	
2021	\$202,587	\$202,587	
2020	\$196,837	\$196,837	
2019	\$171,258	\$171,258	
2018	\$158,660	\$158,660	
2017	\$199,804	\$199,804	
2016	\$193,161	\$193,161	
2015	\$181,838	\$181,838	

	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
	\$1,102,514	19.30%
	\$1,049,673	19.30%
	\$1,019,882	19.30%
	\$1,055,847	16.22%
	\$1,095,718	14.48%
	\$1,075,138	18.58%
	\$1,132,246	17.06%
	\$1,029,493	17.06%

The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PENSION PLAN**

June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

None.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
CERS OPEB - SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY – MEDICAL INSURANCE PLAN
Required Supplementary Information**

June 30, 2022

	<u>District's proportion of net OPEB liability (asset)</u>	<u>District's proportionate share of the net OPEB liability (asset)</u>
2022	0.04%	\$754,580
2021	0.04%	\$901,986
2020	0.04%	\$658,250
2019	0.04%	\$761,894
2018	0.04%	\$880,610

<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net OPEB liability (asset) as a percentage of it's covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
\$1,102,514	68.44%	62.91%
\$1,049,673	85.93%	51.67%
\$1,019,882	64.54%	60.44%
\$1,055,847	72.16%	57.62%
\$1,095,718	80.37%	81.10%

The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
CERS PENSION - SCHEDULE OF CONTRIBUTIONS – MEDICAL INSURANCE PLAN
Required Supplementary Information**

June 30, 2022

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>
2022	\$52,480	\$52,480	
2021	\$49,964	\$49,964	
2020	\$48,546	\$48,546	
2019	\$35,538	\$55,538	
2018	\$51,499	\$51,499	

<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
\$1,102,514	4.76%
\$1,049,673	4.76%
\$1,019,882	4.76%
\$1,055,847	5.26%
\$1,095,718	4.70%

The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OPEB PLAN**

June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

None.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SUPPLEMENTARY INFORMATION**

For The Fiscal Year Ended June 30, 2022

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SUPPLEMENTARY INFORMATION**

For The Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>Appalachian Regional Commission</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Appalachian Local Development District Assistance	23.009	PON2 112-2100003353	\$	\$ 116,347
Total Appalachian Regional Commission			\$	116,347
<u>U. S. Department of Commerce</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Economic Development-Support for Planning Organizations	11.302	PON2 112-2100003353	\$	\$ 66,667
<i>Economic Development Cluster</i>				
Economic Adjustment Assistance	11.307	PON2 112 2100000395		1,075,504
COVID-19 - Economic Adjustment Assistance	11.307	PON2 112 2100000395		13,828
Total Economic Development Cluster				1,089,332
Total U.S. Department of Commerce			\$	1,155,999
<u>U. S. Department of Transportation</u>				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	SC 625 2200000260	\$	52,507
Total Highway Safety Cluster				52,507
Stateway Transportation Planning	20.505	KY-2021-030-00		28,504
Total U.S. Department of Transportation			\$	81,011
<u>U. S. Department of Health and Human Services</u>				
<i>Passed-Through KY Cabinet for Health and Family Services/Department for Aging and Independent Living:</i>				
<i>Aging Cluster</i>				
Special Programs of Aging, Title III Part B, Grants for Supportive Services and Senior Centers	93.044	PON2 725 2100002005	\$ 191,564	\$ 191,564
Special Programs of Aging, Title III Part C, Nutrition Services	93.045	PON2 725 2100002005	622,378	622,378
COVID-19 - Special Programs of Aging, Title III Part C, Nutrition Services	93.045	PON2 725 2100002005	8,951	8,951
Nutrition Services Incentive Program	93.053	PON2 725 2100003024	134,358	134,358
Total Aging Cluster			957,251	957,251
Special Programs of Aging, Title III Part D, Disease Prevention and Health promotion Services	93.043	PON2 725 2100002005		14,887
State Health Insurance Assistance Program	93.324	PON2 725 2000003467		45,797
Special Programs for Aging, Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	PON2 725 2100001810		4,296
Special Programs for Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	PON2 725 2100001810		14,243
National Family Caregiver Support, Title III, Part E	93.052	PON2 725 2100002005		118,954
Medical Assistance Program	93.778	PON2 725 2000004400		14,675
ADRC - No Wrong Door	93.048	PON2 725 2000004400		36,007
Public Health Emergency Preparedness	93.069	PON2 725 2000002444		1,000
Medicare Enrollment Assistance Program	93.071	PON2 725 2100003015		39,972
Total U.S. Department of Health and Human Services			\$ 957,251	\$ 1,247,082

The accompanying notes are an integral part of this schedule.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SUPPLEMENTARY INFORMATION
For The Fiscal Year Ended June 30, 2022
(Continued)**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Labor</u>				
<i>Passed-Through Department for Aging and Independent Living:</i>				
Senior Community Service Employment Program, Title V	17.235	PON2 725 2000002889	\$	\$ 105,849
<i>Passed-Through Lake Cumberland Area Development District:</i>				
<i>WIOA Cluster</i>				
WIA/WIOA Adult Program	17.258	H220360101		178,354
Total U.S. Department of Labor			\$	\$ 284,203
<u>U. S. Department of Housing and Urban Government</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
CDBG - Entitlement Grants Cluster				
Community Development Block				
Grant/Entitlement Grants	14.218	PON2 112-2100003353	\$	\$ 10,435
Total U.S. Department of Housing and Urban Development				10,435
Total Expenditures of Federal Awards			\$ 957,251	\$ 2,895,077

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

June 30, 2022

NOTE A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Cumberland Valley Area Development District (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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the District.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance or *OMB Circular A-87, Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C. CLUSTER PROGRAMS

The following ALN numbers are considered cluster programs:

Economic Development Cluster	
Investments for Public Works and Economic Development Facilities	11.300
Economic Adjustment Assistance	11.307
Highway Safety Cluster	
State and Community Highway Safety	20.600
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601
Occupant Protection Incentive Grants	20.602
Safety Belt Performance Grants	20.609
State Traffic Safety Information System Improvements Grants	20.610
Incentive Grant Program to Prohibit Racial Profiling	20.611
Incentive Grant Program to Increase Motorcyclist Safety	20.612
Child Safety and Child Booster Seat Incentive Grants	20.613
National Priority Safety Programs	20.616
Highway Planning and Construction Cluster	
Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Federal Lands Access Program	20.224
Appalachian Development Highway System	23.003
WIOA Cluster	
WIOA Adult Program	17.258
WIOA Youth Activities	17.259
WIOA Dislocated Worker Formula Grants	17.278

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

NOTE C. CLUSTER PROGRAMS (CONTINUED)

Aging Cluster	
Special Programs for the Aging – Title III, Part B - Grants for Supportive Services and Senior Citizens	93.044
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
CDBG – Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	17.258
Community Development Block Grants/Special Purpose Grants/Insular Areas	17.259

NOTE D. INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE E. LOANS

The Accounting Standards require disclosure of the calculation of the Revolving Loan Fund's federal expenditures as shown in the accompanying Schedule of Expenditures of Federal Awards. The RLF calculation for June 30, 2022 is as follows:

Loan Outstanding	\$ 84,902
Cash and Investments	1,447,772
Administrative Expenses	3,760
Unpaid principal of loans written off during the year	<u>1,536,434</u>
	<u>70%</u>
Federal Participation Rate	
Federal Share of the RLF	<u>\$ 1,075,504</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT

Other Supplementary Information

For The Year Ended June 30, 2022

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CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
Other Supplementary Information
For The Year Ended June 30, 2022

INDIRECT EXPENDITURES:	<u>2022</u>
Salaries	\$ 176,263
Fringe benefits	119,917
Travel	1,078
Printing and publications	971
Professional dues	11,583
Legal and accounting	21,131
Janitorial service and supplies	20,039
Utilities	18,016
Equipment, leases, and space	8,996
Supplies	29,908
Telephone and internet	17,900
Meetings	413
Registration	
Insurance	31,642
Office	7,511
Repairs and maintenance	43,377
Contract services	865
Vacation	
Other	<u>228</u>
	<u><u>\$ 509,838</u></u>

ALLOCATION OF SHARED COSTS:	
Joint Funding Administration	\$ 81,799
Aging Programs	205,925
CDO	116,337
Other	<u>105,777</u>
	<u><u>\$ 509,838</u></u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS – AREA AGENCY ON AGING
Other Supplementary Information

For The Year Ended June 30, 2022

	Title IIIB Ombudsman	Title IIIB Support Services - Administration	Title IIIB Support Services - Services -	Title IIIC1 Congregate Meals and Services - Administration
REVENUES				
Federal grants	\$ 45,976	\$ 15,782	\$ 129,806	\$ 14,352
Federal grants - CARES ACT				
Federal Grants - CRRSAA				
State grants		36,775	181,581	40,660
Program fees and donations			1,891	
Miscellaneous				
Local meals and trays			10,937	
In-kind match			31,000	
Total revenues	<u>45,976</u>	<u>52,557</u>	<u>355,215</u>	<u>55,012</u>
EXPENDITURES				
Services and contracts			225,464	
Other	3,290	2,123	4,436	2,021
Transfers for:				
Personnel	29,877	35,861	67,740	39,218
Travel	1,958	408	1,206	78
Other operating	810	2,112	2,602	514
Indirect cost	10,041	12,053	22,767	13,181
Other - In-Kind Match			31,000	
Total expenditures	<u>45,976</u>	<u>52,557</u>	<u>355,215</u>	<u>55,012</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS – AREA AGENCY ON AGING
Other Supplementary Information
For The Year Ended June 30, 2022
(Continued)

<u>Title IIIC1 Congregate Meals and Services - Services</u>	<u>Title IIIC2 Home Delivered Meals and Services - Administration</u>	<u>Title IIIC2 Home Delivered Meals and Services - Services</u>	<u>Title IIIE National Caregiver - Administration</u>	<u>Title IIIE National Caregiver - Services</u>	<u>Title VII Elder Abuse</u>
\$ 299,412	\$ 4,596	\$ 304,018	\$ 3,341 6,865	\$ 53,124 55,624	\$ 4,296
	8,951				
158,721	29,287	212,633		134,259	
9,996		8,281	3,402		
<u>43,190</u>		<u>55,408</u>		<u>11,000</u>	<u>759</u>
511,319	42,834	580,340	13,608	254,007	5,055
444,536		487,127		144,401	
23,593	2,000	37,805	1,000	1,000	2
	29,910		8,948	71,784	3,068
	179			444	
	692		653	1,251	195
	10,053		3,007	24,127	1,031
<u>43,190</u>		<u>55,408</u>		<u>11,000</u>	<u>759</u>
511,319	42,834	580,340	13,608	254,007	5,055
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS – AREA AGENCY ON AGING
Other Supplementary Information
For The Year Ended June 30, 2022
(Continued)

<u>Title IIID Health Promotion - Services</u>	<u>Title VII Ombudsman</u>	<u>NSIP</u>	<u>CCTP Case Management /PHHP</u>	<u>Title V Senior Community Service Employment Program Administration</u>	<u>Title V Senior Community Service Employment Program Services</u>
\$ 14,887	\$ 9,050 5,193	\$ 134,358	\$	\$ 7,347	\$ 98,502
			730		
<u>14,887</u>	<u>1,598</u> 15,841	<u>134,358</u>	<u>730</u>	<u>7,347</u>	<u>12,000</u> 110,502
9,082	481	134,358			
4,345	7,510 561		341	5,176 396	91,868
	3,167		389	34	6,634
1,460	2,524			1,741	
<u>14,887</u>	<u>1,598</u> 15,841	<u>134,358</u>	<u>730</u>	<u>7,347</u>	<u>12,000</u> 110,502
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS – AREA AGENCY ON AGING
Other Supplementary Information
For The Year Ended June 30, 2022
(Continued)

<u>SHIP Services</u>	<u>Homecare Admin</u>	<u>Homecare Services</u>	<u>State LTC Ombudsman (SLTCO)</u>	<u>Nonmedicaid ADRC</u>	<u>Medicaid ADRC (no wrong door)</u>
\$ 45,797	\$	\$	\$	\$	\$ 50,682
	91,355	822,198 3,571	29,307		13,410
<u>45,797</u>	<u>91,355</u>	<u>54,384</u> <u>880,153</u>	<u>29,307</u>		<u>64,092</u>
		611,691 2,133	1,050		22,685
33,893	59,989	134,337	19,606		30,991
	1,239	2,327	1,453		
512	7,832	4,830	608		
11,392	20,162	45,151	6,590		10,416
<u>45,797</u>	<u>91,355</u>	<u>54,384</u> <u>880,153</u>	<u>29,307</u>	<u>-</u>	<u>64,092</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS – AREA AGENCY ON AGING
Other Supplementary Information
For The Year Ended June 30, 2022
(Continued)

<u>MIPPA SHIP</u>	<u>MIPPA AAA</u>	<u>MIPPA ADRC</u>	<u>FAST</u>	<u>Local</u>	<u>Total</u>
\$ 16,164	\$ 14,052	\$ 9,756	\$ 1,000	\$	\$ 1,276,298
					67,682
					8,951
					1,750,916
					27,141
				22,855	22,855
				1,821	12,758
					209,339
<u>16,164</u>	<u>14,052</u>	<u>9,756</u>	<u>1,000</u>	<u>24,676</u>	<u>3,375,940</u>
					2,056,659
			1,000	15,628	147,680
12,094	10,517	7,279			704,352
					10,249
5		30			32,870
4,065	3,535	2,447			205,743
					209,339
<u>16,164</u>	<u>14,052</u>	<u>9,756</u>	<u>1,000</u>	<u>15,628</u>	<u>3,366,892</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,048</u>	<u>\$ 9,048</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES CONSUMER DIRECTED OPTION PROGRAM
Other Supplementary Information

For The Year Ended June 30, 2022

Revenues

State grant	\$ 4,515,070
Local Revenue	<u> </u>
Total revenues	<u>4,515,070</u>

Expenditure

Direct expenses:

Program services	3,683,397
Other	30,318
Transfers for:	
Salaries	197,231
Fringe benefits	148,907
Travel	1,559
Shared expenses	116,337
Other	<u>170,839</u>
Total expenditures	<u>4,348,588</u>

Intrafund transfers

Excess of revenue over (under) expenses	<u><u>\$ 166,482</u></u>
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CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM – GENERAL FUND
Other Supplementary Information

For The Year Ended June 30, 2022

	<u>JFA</u>	<u>Aging</u>	<u>CDO</u>
REVENUE			
Federal grants	\$ 193,448	\$	\$
State grants	143,448		
Dues			
Program fees and donations			
Local match			
Transfers for:			
Aging		953,216	
Administration			634,873
TOTAL REVENUES	<u>336,896</u>	<u>953,216</u>	<u>634,873</u>
EXPENDITURES			
Salaries	150,146	362,632	197,231
Fringe benefits	93,229	256,588	148,907
Travel	4,847	10,248	1,559
Shared expenses	81,799	205,925	116,337
Other	4,516	117,823	18,818
Contracts	2,373		
Local match			
TOTAL EXPENDITURES	<u>336,910</u>	<u>953,216</u>	<u>482,852</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (14)</u>	<u>\$ 0</u>	<u>\$ 152,021</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM – GENERAL FUND
Other Supplementary Information
For The Year Ended June 30, 2022
(Continued)

<u>Contracts</u>	<u>Local</u>	<u>Total</u>
\$ 273,193	\$	\$ 466,641
211,345		354,793
	72,517	72,517
3,746	6,653	10,399
15,807		15,807
		953,216
		<u>634,873</u>
<u>504,091</u>	<u>79,170</u>	<u>2,508,246</u>
216,808		926,817
131,517		630,241
18,927		35,581
105,776		509,837
20,693	25,084	186,934
8,050		10,423
15,807		15,807
<u>517,578</u>	<u>25,084</u>	<u>2,315,640</u>
<u>\$ (13,487)</u>	<u>\$ 54,086</u>	<u>\$ 192,606</u>

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

To the Board of Directors
Cumberland Valley Area Development District
London, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland Valley Area Development District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Cumberland Valley Area Development District's basic financial statements, and have issued our report thereon dated December 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Cumberland Valley Area Development 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 Cumberland Valley Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cumberland Valley Area Development District's internal control.

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

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



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

Compliance And Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 16, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

To the Board of Directors
Cumberland Valley Area Development District
London, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Cumberland Valley Area Development District's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Cumberland Valley Area Development District's major federal programs for the year ended June 30, 2022. The Cumberland Valley Area Development District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Cumberland Valley Area Development 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 Cumberland Valley Area Development District's compliance with the compliance requirements referred to above.



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cumberland Valley Area Development 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 Cumberland Valley Area Development 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 Cumberland Valley Area Development 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 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.

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

Report on Internal Control over Compliance (Continued)

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

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

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

Respectfully submitted,

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Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 16, 2022

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

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**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

Are any material weaknesses identified?	☐ Yes	☒ No
Are any significant deficiencies identified?	☐ Yes	☒ None Reported
Are any noncompliances material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	☐ Yes	☒ No
Are any significant deficiencies identified?	☐ Yes	☒ None Reported
Type of auditor's report issued on compliance for major federal programs [<i>unmodified, qualified, adverse, or disclaimer</i>]: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
11.302, 11.307	Economic Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	☒ Yes	☐ No

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

Section II: Financial Statement Findings

None noted.

Section III: Federal Award Findings And Questioned Costs

None noted.

Section IV: Summary Schedule of Prior Audit Findings

No prior audit findings.