

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025
with
REPORT OF INDEPENDENT AUDITORS**

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Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Cumberland Valley Area Development District
London, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland Valley Area Development District, as of June 30, 2025, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards 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 related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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.



Auditors' Responsibilities for the Audit of the Financial Statement

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland Valley Area Development District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 31, 2025, on our consideration of 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 the District's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland Valley Area Development District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cloyd & Associates, PSC". The signature is written in a cursive, flowing style.

Cloyd & Associates, PSC
London, Kentucky
December 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
YEAR ENDED JUNE 30, 2025

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, 2025. 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 2025 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 of this report.

FINANCIAL ANALYSIS

The enclosed financial statements summarize the overall financial condition of the District for the fiscal years ended June 30, 2025, and 2024, as summarized in the following table:

See table on next page

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
YEAR ENDED JUNE 30, 2025

	<u>FY 2025</u>	<u>FY 2024</u>
Current Assets	\$ 3,984,879	\$ 5,414,218
Noncurrent Assets	465,462	500,796
Deferred outflows of resources	<u>880,679</u>	<u>1,005,312</u>
 Total Assets and Deferred Outflows	 <u>\$ 5,331,020</u>	 <u>\$ 6,920,326</u>
 Current Liabilities	 \$ 1,437,650	 \$ 1,919,596
Net Pension Liability	2,382,960	2,404,587
Net OPEB Liability	-	-
Total Liabilities	<u>3,820,610</u>	<u>4,324,183</u>
 Deferred inflow of resources	 <u>1,164,853</u>	 <u>1,549,657</u>
 Net Position		
Invested in capital assets	396,469	449,057
Restricted	97,203	1,445,798
Unrestricted	<u>(148,115)</u>	<u>(848,369)</u>
Total Net Position	<u>345,557</u>	<u>1,046,486</u>
 Total Liabilities, Deferred Inflows, & Net Position	 <u>\$ 5,331,020</u>	 <u>\$ 6,920,326</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 \$345,557 as of June 30, 2025, a decrease of \$700,929 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, 2025, compared to the fiscal year ended June 30, 2024.

See Table on Next Page

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
YEAR ENDED JUNE 30, 2025

	<u>FY 2025</u>	<u>FY 2024</u>
Revenues:		
Federal and state revenues	\$ 14,363,379	\$13,608,548
Local revenues	476,665	498,844
Interest income	-	-
Total Revenues	<u>14,840,044</u>	<u>14,107,392</u>
Expenses:		
Personnel	2,192,021	2,045,132
Contractual	10,850,251	10,219,185
Other	<u>1,738,623</u>	<u>1,438,751</u>
Total Operating expenses	14,780,895	13,703,068
Operating Income	59,149	404,324
Non-operating income (expense)	<u>423,070</u>	<u>-</u>
Increase (decrease) in fund balance	<u>\$ 482,219</u>	<u>\$ 404,324</u>

Capital Assets

The following table summarizes the capital asset and depreciation activity of the District for the year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2025</u>
Cost:				
Equipment and vehicles	\$ 515,346	\$ -	\$ -	\$ 515,346
Building and land	<u>886,581</u>	<u>-</u>	<u>-</u>	<u>886,581</u>
Total fixed assets	1,401,927	-	-	1,401,927
Less: accumulated depreciation	<u>(952,870)</u>	<u>(52,588)</u>	<u>-</u>	<u>(1,005,458)</u>
Net	<u>\$ 449,057</u>	<u>\$ (52,588)</u>	<u>\$ -</u>	<u>\$ 396,469</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
YEAR ENDED JUNE 30, 2025

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 are 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.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash - unrestricted	\$ 2,816,058	\$ -	\$ 2,816,058
Cash - restricted	-	16,186	16,186
Accounts receivable	<u>1,152,635</u>	<u>-</u>	<u>1,152,635</u>
Total current assets	<u>3,968,693</u>	<u>16,186</u>	<u>3,984,879</u>
Noncurrent Assets			
Net OPEB asset - CERS	68,993	-	68,993
Capital assets, net	<u>396,469</u>	<u>-</u>	<u>396,469</u>
Total noncurrent assets	<u>465,462</u>	<u>-</u>	<u>465,462</u>
Total assets	<u>4,434,155</u>	<u>16,186</u>	<u>4,450,341</u>
Deferred outflow of resources			
Deferred outflows from pensions	674,807	-	674,807
Deferred outflows from OPEB	<u>205,872</u>	<u>-</u>	<u>205,872</u>
Total deferred outflows of resources	<u>880,679</u>	<u>-</u>	<u>880,679</u>
Total assets and deferred outflows	<u>5,314,834</u>	<u>16,186</u>	<u>5,331,020</u>
LIABILITIES			
Current Liabilities			
Accounts payable	962,172	-	962,172
Accrued payroll and payroll taxes	250,029	-	250,029
Unearned revenue	<u>225,449</u>	<u>-</u>	<u>225,449</u>
Total current liabilities	<u>1,437,650</u>	<u>-</u>	<u>1,437,650</u>
Other Liabilities			
Net pension liability	2,382,960	-	2,382,960
Net OPEB liability	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>2,382,960</u>	<u>-</u>	<u>2,382,960</u>
Deferred inflow of resources			
Deferred pension inflows	424,530	-	424,530
Deferred OPEB inflows	<u>740,323</u>	<u>-</u>	<u>740,323</u>
Total deferred inflows of resources	<u>1,164,853</u>	<u>-</u>	<u>1,164,853</u>
NET POSITION			
Net investment in capital assets	396,469	-	396,469
Restricted for:			
Other	81,017	16,186	97,203
Unrestricted	<u>(148,115)</u>	<u>-</u>	<u>(148,115)</u>
Total net position	<u>329,371</u>	<u>16,186</u>	<u>345,557</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>5,314,834</u>	<u>\$ 16,186</u>	<u>\$ 5,331,020</u>

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2025**

	<u>General Fund</u>	<u>Special Revenue Funds - Aging</u>	<u>Special Revenue Funds - CDO</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,126,170	\$ 555,784	\$ 134,104	\$ 2,816,058
Accounts receivable	<u>870,614</u>	<u>257,554</u>	<u>24,467</u>	<u>1,152,635</u>
Total assets	<u>\$ 2,996,784</u>	<u>\$ 813,338</u>	<u>\$ 158,571</u>	<u>\$ 3,968,693</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	81,868	880,304	-	962,172
Accrued expenses	172,475	-	77,554	250,029
Unearned revenues	<u>205,413</u>	<u>20,036</u>	<u>-</u>	<u>225,449</u>
Total liabilities	<u>459,756</u>	<u>900,340</u>	<u>77,554</u>	<u>1,437,650</u>
Fund Balances				
Restricted	-	-	81,017	81,017
Unassigned	<u>2,537,028</u>	<u>(87,002)</u>	<u>-</u>	<u>2,450,026</u>
Total fund balances	<u>2,537,028</u>	<u>(87,002)</u>	<u>81,017</u>	<u>2,531,043</u>
Total liabilities and fund balances	<u>\$ 2,996,784</u>	<u>\$ 813,338</u>	<u>\$ 158,571</u>	<u>\$ 3,968,693</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds	\$ 2,531,043
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	396,469
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.	880,679
Net pension obligations and net OPEB obligations are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(2,313,967)
Deferred inflow 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.	<u>(1,164,853)</u>
Total net position - governmental activities	<u>\$ 329,371</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

Revenues	General Fund	Special Revenue Fund - Aging	Special Revenue Fund - CDO	Total Governmental Funds
Federal grants	\$ 771,459	\$ 2,348,795	\$ -	\$ 3,120,254
State grants	573,430	3,045,982	7,623,713	11,243,125
Dues	80,770	-	-	80,770
Rental	2,491	-	-	2,491
Program Fees and donations	-	25,371	-	25,371
Required match	16,776	327,770	-	344,546
Other	-	23,487	-	23,487
Total revenues	<u>1,444,926</u>	<u>5,771,405</u>	<u>7,623,713</u>	<u>14,840,044</u>
Expenditures				
Salaries and benefits	2,192,021	-	-	2,192,021
Travel	75,019	-	-	75,019
Shared expenses	663,458	-	-	663,458
Other	491,211	164,389	-	655,600
Services and contracts	103,805	4,032,570	6,713,876	10,850,251
Required match	16,776	327,770	-	344,546
Total expenditures	<u>3,542,290</u>	<u>4,524,729</u>	<u>6,713,876</u>	<u>14,780,895</u>
Excess (deficit) of revenues over expenditures	<u>(2,097,364)</u>	<u>1,246,676</u>	<u>909,837</u>	<u>59,149</u>
Other Financing Sources (Uses)				
Operating transfers in	2,555,727	-	-	2,555,727
Operating transfers out	-	(1,228,530)	(904,127)	(2,132,657)
Total other financing sources (uses)	<u>2,555,727</u>	<u>(1,228,530)</u>	<u>(904,127)</u>	<u>423,070</u>
Net change in fund balances	458,363	18,146	5,710	482,219
Fund balance, July 1, 2024	<u>2,078,665</u>	<u>(105,148)</u>	<u>75,307</u>	<u>2,048,824</u>
Fund balance, June 30, 2025	<u>\$ 2,537,028</u>	<u>\$ (87,002)</u>	<u>\$ 81,017</u>	<u>\$ 2,531,043</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in total fund balances - governmental funds	\$ 482,219
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.	(52,588)
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>299,052</u>
Change in net position - governmental activities	<u>\$ 728,683</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2025

	RLF EDA Fund	RLF ARC Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 606	\$ 15,580	\$ 16,186
Total current assets	<u>606</u>	<u>15,580</u>	<u>16,186</u>
Total assets	<u>606</u>	<u>15,580</u>	<u>16,186</u>
LIABILITIES			
Current Liabilities			
Accounts payable	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
Other	<u>606</u>	<u>15,580</u>	<u>16,186</u>
Total net position	<u>\$ 606</u>	<u>\$ 15,580</u>	<u>\$ 16,186</u>

CUMBLERAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	RLF EDA Fund	RLF ARC Fund	Total
Operating revenues			
Interest from loans	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
Operating expenses			
Other	6,790	37	6,827
Total operating expenses	6,790	37	6,827
Operating income/(loss)	(6,790)	(37)	(6,827)
Nonoperating revenues			
Nonreciprocal transfer	(1,000,425)	-	(1,000,425)
Interest income	708	2	710
Total nonoperating revenues/(expenses)	(999,717)	2	(999,715)
Income before contributions transfers and special items	(1,006,507)	(35)	(1,006,542)
Transfers in (out)	(423,070)	-	(423,070)
Change in net position	(1,429,577)	(35)	(1,429,612)
Net position as of June 30, 2024	1,430,183	15,615	1,445,798
Net position as of June 30, 2025	<u>\$ 606</u>	<u>\$ 15,580</u>	<u>\$ 16,186</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	RLF EDA Fund	RLF ARC Fund	Total
Cash flows from operating activities			
Cash received from:			
Other receipts	\$ -	\$ -	\$ -
Cash paid to/for:			
Other payments	(10,536)	(37)	(10,573)
Net cash used in operating activities	(10,536)	(37)	(10,573)
Cash flows from investing activities			
Interest income	708	2	710
Transfer from (to) general fund	(423,070)	-	(423,070)
Net cash used in investing activities	(422,362)	2	(422,360)
Cash flows from non-capital financing activities			
Liquidation of federal funds	(1,000,425)	-	(1,000,425)
Interest paid on debt	-	-	-
Net cash used in capital and related activities	(1,000,425)	-	(1,000,425)
Net increase in cash and cash equivalents	(1,433,323)	(35)	(1,433,358)
Cash and cash equivalents as of June 30, 2024	1,433,929	15,615	1,449,544
Cash and cash equivalents as of June 30, 2025	\$ 606	\$ 15,580	\$ 16,186
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	\$ (6,790)	\$ (37)	\$ (6,827)
Adjustments to reconcile change in net position to net cash used in operating activities:			
Other	(3,746)	-	(3,746)
Net cash used in operating activities	\$ (10,536)	\$ (37)	\$ (10,573)

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 of 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.

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 (Grant) Funds 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 accounts for proceeds of specific state revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. 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 as prescribed by the District.

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.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting - continued

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets-continued

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.

<u>Description</u>	<u>Estimated Lives</u>
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 leave 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 payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 - DEPOSITS

Deposits

The District’s deposits (demand deposit accounts) are carried at cost, which approximates fair value. At June 30, 2025, the book balance of the District’s bank deposits and the bank balances were as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
PNC	\$ 2,647,466	\$ 2,398,060
CVNB	<u>434,184</u>	<u>434,184</u>
	<u>\$ 3,081,650</u>	<u>\$ 2,832,244</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 2,816,058
Proprietary funds	<u>16,186</u>
	<u>\$ 2,832,244</u>

Due to the nature of the accounts and limitations imposed for the purposes of various funds, all cash balances are considered to be restricted except for the General Fund.

Custodial Credit Risk

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, 2025, 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.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE D – ACCOUNTS RECEIVABLES

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

	<u>2025</u>
Grants	\$ 1,132,860
Various Local	19,775
	<u>\$ 1,152,635</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. As of June 27, 2025, the District liquidated the revolving loan program and transferred \$1,000,425 to Kentucky Highlands Investment Corporation to administer the grant funds. This amount included interest accrued on the federal portion of the revolving loan program. The original investment plus interest, \$423,070, was returned to the District's general fund, for which they deposited into a certificate of deposit as of June 30, 2025.

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2025</u>
Cost:				
Equipment and vehicles	\$ 515,346	\$ -	\$ -	\$ 515,346
Building and land	886,581	-	-	886,581
Total fixed assets	<u>1,401,927</u>	<u>-</u>	<u>-</u>	<u>1,401,927</u>
Less: accumulated depreciation	<u>(952,870)</u>	<u>(52,588)</u>	<u>-</u>	<u>(1,005,458)</u>
Net	<u>\$ 449,057</u>	<u>\$ (52,588)</u>	<u>\$ -</u>	<u>\$ 396,469</u>

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

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:

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE G - RETIREMENT PLANS - CONTINUED

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 19.71% of the employee's total compensation subject to contribution. Pension contributions make up 19.71% and OPEB has a contribution rate of 0.00%.

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

At June 30, 2025, the District reported a liability (asset) of \$2,382,960 for its proportionate share of the net pension liability (asset) for CERS. The amount recognized by the District as its proportionate share of the net pension liability (asset) associated with the District were as follows:

District's proportionate share of the CERS net pension liability (asset)	<u>\$ 2,382,960</u>
	<u>\$ 2,382,960</u>

The net pension liability (asset) for each plan was measured as of June 30, 2024, and the total pension liability (asset) 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 (asset) 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, 2024, the District's proportion was 0.039846%. For the year ended June 30, 2025, the District recognized pension expense (credit) of \$107,302 related to CERS.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE G - RETIREMENT PLANS - CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 115,340	\$ -
Changes of assumptions	-	107,663
Net difference between projected and actual earnings on pension plan investments	163,656	316,867
Changes in proportion and differences between District contributions and proportionate share of contributions	108,235	-
District contributions subsequent to the measurement date	<u>287,576</u>	<u>-</u>
Total	<u>\$ 674,807</u>	<u>\$ 424,530</u>

The \$287,576 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2025	\$ (23,700)
2026	79,442
2027	(58,896)
2028	<u>(34,145)</u>
	<u>\$ (37,299)</u>

Actuarial assumptions—The total pension liability (asset) in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>
Inflation	2.30%
Projected salary increases	3.30-10.30%
Investment rate of return, net of investment expense & inflation	6.50%

Discount rate—For CERS, the discount rate used to measure the total pension liability (asset) was 6.50%. 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 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability (asset).

NOTE G - RETIREMENT PLANS - CONTINUED

Sensitivity of CERS proportionate share of net pension liability (asset) 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 3,072,024	\$ 2,382,960	\$ 1,811,218

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 \$1,372,239. The District's contribution requirement for CERS for the year ended June 30, 2025, 2024, and 2023 was \$287,576, \$320,280, and \$319,887, 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%

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE H - OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

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%

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

At June 30, 2025, the District reported a liability (asset) of (\$68,993) for its proportionate share of the collective net OPEB liability (asset) that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the collective net OPEB liability (asset) 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, 2024 the District's proportion was .039885 percent.

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

District's proportionate share of the CERS net OPEB liability (asset) \$ (68,993)

For the year ended June 30, 2025, the District recognized OPEB expense (credit) of \$191,750. At June 30, 2025, 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 expected and actual experience	\$ 38,277	\$ 542,840
Changes of assumptions	62,516	48,682
Net difference between projected and actual earnings on pension plan investments	60,647	123,607
Changes in proportion and differences between District contributions and proportionate share of contributions	44,432	25,194
District contributions subsequent to the measurement date	-	-
Total	<u>\$ 205,872</u>	<u>\$ 740,323</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

NOTE H - OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

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>	
2025	\$ (220,600)
2026	(171,531)
2027	(140,924)
2028	(1,396)
	<u>\$ (534,451)</u>

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 (asset) was 5.99%. 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 (asset).

The following table presents the District's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99%, 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 (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability (asset)	\$ 93,286	\$ (68,993)	\$ (205,438)

Sensitivity of the District's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability (asset), as well as what the District's proportionate share of the collective net OPEB liability (asset) 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 OPEB liability (asset)	\$ (165,989)	\$ (68,993)	\$ 44,000

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 BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

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, 2025, 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	\$ 1,228,530
Special Revenue - CDO	General	Indirect costs/reimbursements	\$ 904,127
RLF EDA Fund	General	Operations	\$ 423,070

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2025**

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 case manager. For case management, the District earns \$426 per client (participant) based upon an actual visit (or via a telephone call contract) made by District staff. For financial management, the District earns \$197 per month per client. The maximum monthly fee-for-service per client is \$623 per month. 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, 2025, the District transferred \$904,127 from the PDS program to the ADD for administration.

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2025, there were no interfund receivables due.

NOTE Q – DEFICIT FUND BALANCE / NET POSITION

The Special Revenue Fund - Aging had a deficit fund balance of \$87,002 as of June 30, 2025. The Governmental Activities had a deficit net position of \$93,699 as of June 30, 2025.

NOTE R – FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
Special Revenue - CDO	\$ 81,017	CDO Activities
RLF EDA Fund	\$ 606	Loan Funds
RLF ARC Fund	\$ 15,580	Loan Funds

NOTE S – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 31, 2025, 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.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	General Fund	
Revenues				
Federal grants	\$ 722,250	\$ 722,250	\$ 771,459	\$ 49,209
State grants	559,295	559,295	573,430	14,135
Dues	78,200	78,200	80,770	2,570
Rental	-	-	2,491	2,491
Program fees and donations	-	-	-	-
Required match	-	-	16,776	16,776
Other	-	-	-	-
Total revenues	1,359,745	1,359,745	1,444,926	85,181
Expenditures				
Salaries and benefits	2,676,986	2,676,986	2,192,021	484,965
Travel	75,360	75,360	75,019	341
Shared expenses	270,414	270,414	663,458	(393,044)
Other	34,650	34,650	491,211	(456,561)
Services and contracts	243,500	243,500	103,805	139,695
Required match	19,000	19,000	16,776	2,224
Total expenditures	3,319,910	3,319,910	3,542,290	(222,380)
Excess (deficit) of revenues over expenditures	(1,960,165)	(1,960,165)	(2,097,364)	(137,199)
Other Financing Sources (Uses)				
Operating transfers in	1,974,777	1,974,777	2,555,727	580,950
Operating transfers out	(14,612)	(14,612)	-	14,612
Total other financing sources (uses)	1,960,165	1,960,165	2,555,727	595,562
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	458,363	458,363
Fund balance, July 1, 2024	-	-	2,078,665	2,078,665
Fund balance, June 30, 2025	\$ -	\$ -	\$ 2,537,028	\$ 2,537,028

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - AGING
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Special Revenue Fund - Aging	
Revenues				
Federal grants	\$ 2,400,000	\$ 2,400,000	\$ 2,348,795	\$ (51,205)
State grants	1,632,897	1,632,897	3,045,982	1,413,085
Program fees and donations	-	-	25,371	25,371
Required match	-	-	327,770	327,770
Other	-	-	23,487	23,487
Total revenues	4,032,897	4,032,897	5,771,405	1,738,508
Expenditures				
Other	162,000	162,000	164,389	(2,389)
Services and contracts	2,294,882	2,294,882	4,032,570	(1,737,688)
Required match	330,000	330,000	327,770	2,230
Total expenditures	2,786,882	2,786,882	4,524,729	(1,737,847)
Excess (deficit) of revenues over expenditures	1,246,015	1,246,015	1,246,676	661
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(1,246,015)	(1,246,015)	(1,228,530)	17,485
Total other financing sources (uses)	(1,246,015)	(1,246,015)	(1,228,530)	17,485
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	18,146	18,145
Fund balance, July 1, 2024	-	-	(105,148)	(105,148)
Fund balance, June 30, 2025	\$ -	\$ -	\$ (87,002)	\$ (87,003)

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - CDO
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Special Revenue Fund - CDO	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	6,032,000	6,032,000	7,623,713	1,591,713
Other	-	-	-	-
Total revenues	6,032,000	6,032,000	7,623,713	1,591,713
Expenditures				
Other	-	-	-	-
Services and contracts	5,303,238	5,303,238	6,713,876	(1,410,638)
Required match	-	-	-	-
Total expenditures	5,303,238	5,303,238	6,713,876	(1,410,638)
Excess (deficit) of revenues over expenditures	728,762	728,762	909,837	181,075
Other Financing Sources (Uses)				
Operating transfers out	(728,762)	(728,762)	(904,127)	(175,365)
Total other financing sources (uses)	(728,762)	(728,762)	(904,127)	(175,365)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	5,710	5,709
Fund balance, July 1, 2024	-	-	75,307	75,307
Fund balance, June 30, 2025	\$ -	\$ -	\$ 81,017	\$ 81,016

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2025

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.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2025**

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate 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 (asset)
2025	0.04%	\$ 2,382,960	\$ 1,372,239	173.65%	61.61%
2024	0.04%	\$ 2,404,587	\$ 1,378,191	174.47%	57.48%
2023	0.04%	\$ 2,645,530	\$ 1,194,054	221.56%	52.42%
2022	0.04%	\$ 2,513,589	\$ 1,102,514	227.99%	57.33%
2021	0.04%	\$ 2,865,865	\$ 1,049,673	273.02%	47.81%
2020	0.04%	\$ 2,753,156	\$ 1,019,882	269.95%	50.45%
2019	0.04%	\$ 2,613,532	\$ 1,055,847	247.53%	53.54%
2018	0.04%	\$ 2,563,983	\$ 1,095,718	234.00%	53.30%
2017	0.05%	\$ 2,273,282	\$ 1,075,138	211.44%	55.50%
2016	0.04%	\$ 1,843,379	\$ 1,132,246	162.81%	66.75%
2015	0.04%	\$ 1,411,000	\$ 1,029,493	137.06%	66.80%

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2025

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 270,468	\$ 270,468	\$ -	\$ 1,372,239	19.71%
2024	\$ 321,670	\$ 321,670	\$ -	\$ 1,378,191	23.34%
2023	\$ 279,409	\$ 279,409	\$ -	\$ 1,194,054	23.40%
2022	\$ 212,785	\$ 212,785	\$ -	\$ 1,102,514	19.30%
2021	\$ 202,587	\$ 202,587	\$ -	\$ 1,049,673	19.30%
2020	\$ 196,837	\$ 196,837	\$ -	\$ 1,019,882	19.30%
2019	\$ 171,258	\$ 171,258	\$ -	\$ 1,055,847	16.22%
2018	\$ 158,660	\$ 158,660	\$ -	\$ 1,095,718	14.48%
2017	\$ 199,804	\$ 199,804	\$ -	\$ 1,075,138	18.58%
2016	\$ 193,161	\$ 193,161	\$ -	\$ 1,132,246	17.06%
2015	\$ 181,838	\$ 181,838	\$ -	\$ 1,029,493	17.66%

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND
YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The inflation assumption used to calculate the total pension liability decreased from 2.50% to 2.30%.

**CUMBLERAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY (ASSET) - MEDICAL INSURANCE PLAN - COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2025**

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2025	0.04%	\$ (66,993)	\$ 1,372,239	-5.03%	104.89%
2024	0.04%	\$ (51,739)	\$ 1,378,191	-3.75%	104.20%
2023	0.04%	\$ 722,089	\$ 1,194,054	60.47%	60.95%
2022	0.04%	\$ 754,580	\$ 1,102,514	68.44%	62.91%
2021	0.04%	\$ 901,986	\$ 1,049,673	85.93%	51.67%
2020	0.04%	\$ 658,250	\$ 1,019,882	64.54%	60.44%
2019	0.04%	\$ 761,894	\$ 1,055,847	72.16%	57.62%
2018	0.04%	\$ 880,610	\$ 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
 SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN - COUNTY EMPLOYEES RETIREMENT SYSTEM
 YEAR ENDED JUNE 30, 2025**

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ -	\$ -	\$ -	\$ 1,372,239	0.00%
2024	\$ -	\$ -	\$ -	\$ 1,378,191	0.00%
2023	\$ 56,837	\$ 56,837	\$ -	\$ 1,194,054	3.39%
2022	\$ 52,480	\$ 52,480	\$ -	\$ 1,102,514	4.76%
2021	\$ 49,964	\$ 49,964	\$ -	\$ 1,049,673	4.76%
2020	\$ 48,546	\$ 48,546	\$ -	\$ 1,019,882	4.76%
2019	\$ 55,538	\$ 55,538	\$ -	\$ 1,055,847	5.26%
2018	\$ 51,499	\$ 51,499	\$ -	\$ 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
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The Municipal Bond Index Rate increased from 3.66% to 3.94%.
The single discount rate increased from 5.93% to 5.99%.
Healthcare trend rates for Pre-65 decreased from 6.30% to 6.20%.
Healthcare trend rates for Post-65 increased from 6.30% to 9.00%.

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULED OF SHARED COSTS
YEAR ENDED JUNE 30, 2025

INDIRECT EXPENDITURES:

	<u>2025</u>
Salaries	\$ 207,253
Fringe benefits	135,138
Travel	15,142
Printing and publications	953
Professional dues	5,426
Legal and accounting	25,622
Janitorial service and supplies	17,468
Utilities	21,448
Equipment, leases, and space	9,171
Supplies	55,581
Telephone and internet	25,518
Meetings	14,635
Registration	3,335
Insurance	51,909
Office	4,610
Repairs and maintenance	56,300
Contract services	1,279
Other	12,670
	<u>\$ 663,458</u>

ALLOCATION OF SHARED COSTS:

Joint Funding Administration	\$ 125,285
Aging Programs	258,302
CDO	140,484
Other	139,387
	<u>\$ 663,458</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
 STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING
 YEAR ENDED JUNE 30, 2025

	Title III B Ombudsman	Title III B Support Services - Administration	Title III B Support Services - Services	Title III C1 Congregate Meals and Services - Administration	Title III C1 Congregate Meals and Services - Services
REVENUES					
Federal grants	\$ 84,596	\$ 28,881	\$ 402,411	40,807	468,881
Federal grants - ARPA	-	-	240,899	-	-
Federal Grants - CARES	-	-	-	-	-
State grants	-	9,627	30,000	13,602	14,000
Program fees and donations	-	-	1,600	-	5,937
Miscellaneous	-	-	-	-	-
Local meals and trays	-	-	-	-	-
In-kind match	-	-	41,340	-	71,476
Total revenues	84,596	38,508	716,250	54,409	560,294
EXPENDITURES					
Services and contracts	-	-	456,587	-	482,812
Other	1,446	35	11,600	35	5,937
Transfers for:					
Personnel	56,771	27,966	128,229	40,387	69
Travel	6,771	778	3,345	561	-
Other operating	1,532	825	34,321	567	-
Indirect cost	18,076	8,904	40,828	12,859	-
Other - In-Kind Match	-	-	41,340	-	71,476
Total expenditures	84,596	38,508	716,250	54,409	560,294
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	-	-	-	-

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
 STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING - CONTINUED
 YEAR ENDED JUNE 30, 2025

Title IIC2 Home Delivered Meals and Services - Administration	Title IIC2 Home Delivered Meals and Services - Services	Title IIE National Caregiver - Administra tion	Title IIE National Caregiver - Services	Title VII Elder Abuse	Title IID Health Promotion - Services	Title VII Ombudsman	NSIP
27,800	532,842	14,149	230,236	\$ 4,242	\$ 46,494	\$ 17,486	\$ 265
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,771	1,419,428	-	11,921	-	-	-	-
-	12,269	4,717	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	80,031	-	67,110	749	-	3,086	-
40,571	2,044,570	18,866	309,267	4,991	46,494	20,572	265
-	1,869,460	-	154,943	-	35,616	-	265
35	94,003	35	-	-	-	1,418	-
30,002	-	13,490	62,665	3,206	7,394	11,544	-
387	-	424	645	5	1,093	123	-
594	1,076	622	3,952	10	37	725	-
9,553	-	4,295	19,952	1,021	2,354	3,676	-
-	80,031	-	67,110	749	-	3,086	-
40,571	2,044,570	18,866	309,267	4,991	46,494	20,572	265

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
 STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING - CONTINUED
 YEAR ENDED JUNE 30, 2025

	Title V Senior Community Service	Title V Senior Community Service Employment Program - Services	SHIP Services	Homecare Admin	Homecare Services	State LTC Ombudsman (SLTCO)	Medicaid ADRC (No Wrong Door)	MIPPA SHIP
\$	7,297	\$ 78,471	\$ 42,274	\$ -	\$ -	\$ -	\$ 23,000	\$ 21,980
-	-	-	-	-	-	-	-	-
-	-	-	-	88,532	796,790	72,629	23,000	-
-	-	-	-	-	565	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	9,594	-	-	54,384	-	-	-
7,297	88,065	42,274	88,532	851,739	72,629	46,000	21,980	
-	-	-	-	565,720	-	-	-	-
-	-	35	35	3,447	1,842	22,909	-	-
4,766	67,432	31,204	63,857	164,233	51,136	9,006	16,569	
1,011	-	579	2,117	5,828	1,996	-	27	
3	5,880	521	2,191	5,835	1,373	11,218	109	
1,517	5,159	9,935	20,332	52,292	16,282	2,867	5,275	
-	9,594	-	-	54,384	-	-	-	-
7,297	88,065	42,274	88,532	851,739	72,629	46,000	21,980	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
 STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING - CONTINUED
 YEAR ENDED JUNE 30, 2025

MIPPA AAA	MIPPA ADRG	ESMP	INNU	KY CAREGIVER	DISASTER PREPAREDNESS	LOCAL	TOTAL
\$ 16,984	\$ 9,289	\$ -	\$ 4,657	\$ -	\$ 4,854	\$ -	\$ 2,107,896
-	-	-	-	-	-	-	240,899
-	-	408,268	-	145,414	-	-	3,045,982
-	3	280	-	-	-	-	25,371
-	-	-	-	-	-	23,487	23,487
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	327,770
<u>16,984</u>	<u>9,292</u>	<u>408,548</u>	<u>4,657</u>	<u>145,414</u>	<u>4,854</u>	<u>23,487</u>	<u>5,771,405</u>
-	-	368,752	-	98,415	-	-	4,032,570
-	-	11,347	-	35	4,854	5,341	164,389
12,860	7,048	20,808	-	31,913	-	-	862,555
-	-	257	942	414	-	-	27,303
29	-	759	3,715	4,476	-	-	80,370
4,095	2,244	6,625	-	10,161	-	-	258,302
-	-	-	-	-	-	-	327,770
<u>16,984</u>	<u>9,292</u>	<u>408,548</u>	<u>4,657</u>	<u>145,414</u>	<u>4,854</u>	<u>5,341</u>	<u>5,753,257</u>
-	-	-	-	-	-	18,146	18,146

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
CONSUMER DIRECTED OPTION (CDO) PROGRAM
YEAR ENDED JUNE 30, 2025

	<u>Participant Directed Services</u>
Revenues	
State revenue	\$ <u>7,623,713</u>
Total revenues	<u>7,623,713</u>
Expenditure	
Direct Expenses:	
Program Services	6,713,876
Other	<u>-</u>
Total direct expenses	<u>6,713,876</u>
Transfers for:	
Salaries	272,697
Fringe benefits	156,522
Travel	15,090
Shared costs	140,484
Other	<u>319,334</u>
Total transfers	<u>904,127</u>
Total expenses	<u>7,618,003</u>
Excess of revenue over (under) expenses	<u>\$ 5,710</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM - GENERAL FUND
JUNE 30, 2025

	JFA	Aging	CDO	Contracts	Local	Total
REVENUE						
Federal grants	\$ 273,420	-	-	\$ 498,099	-	\$ 771,459
State grants	284,493	-	-	288,937	-	573,430
Dues	-	-	-	-	80,770	80,770
Rental	-	-	-	-	2,491	2,491
Program fees and donations	-	-	-	-	-	-
Local match	-	-	-	16,776	-	16,776
Transfers for:						
Aging	-	1,228,530	-	-	-	1,228,530
Administration	-	-	904,127	-	423,070	1,327,197
Required match	-	-	-	-	-	-
TOTAL REVENUES	<u>557,913</u>	<u>1,228,530</u>	<u>904,127</u>	<u>\$ 803,752</u>	<u>\$ 506,331</u>	<u>4,000,653</u>
EXPENDITURES						
Salaries	255,619	555,447	272,697	297,297	-	1,381,060
Fringe benefits	137,864	307,108	156,522	209,467	-	810,961
Travel	11,691	27,303	15,090	20,935	-	75,019
Shared expenses	125,285	258,302	140,484	139,387	-	663,458
Other	27,727	80,370	319,334	25,667	38,113	491,211
Contracts	-	-	-	103,805	-	103,805
Local match	-	-	-	16,776	-	16,776
Transfer out for balance	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>558,186</u>	<u>1,228,530</u>	<u>904,127</u>	<u>813,334</u>	<u>38,113</u>	<u>3,542,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (273)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,582)</u>	<u>\$ 468,218</u>	<u>\$ 458,363</u>

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal ALN</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>Appalachian Regional Commission</u>				
Passed through State Department of Local Government:				
Appalachian Local Development District Assistance	23.009	PON2 112-2100003353	\$ -	\$ 171,357
Ready Appalachia	23.002	CC-21169-LDD-23	-	54,940
Total Appalachian Regional Commission			-	226,297
<u>U.S. Department of Commerce</u>				
Passed through State Department of Local Government:				
Economic Development-Support for Planning Organizations	11.302	PON2 112-2100003353	-	92,847
<u>Economic Development Cluster</u>				
Economic Adjustment Assistance	11.307	PON2 112 2100000395	-	-
Total Economic Development Cluster			-	-
Total U.S. Department of Commerce			-	92,847
<u>U.S. Department of Transportation</u>				
<u>Highway Safety Cluster</u>				
State and Community Highway Safety	20.600	SC 625 2200000260	-	85,598
Total Highway Safety Cluster			-	85,598
<u>Statewide Transportation Planning</u>				
Statewide Transportation Planning	20.505	KY-2021-030-00	-	30,000
				30,000
Total U.S. Department of Transportation			-	115,598
<u>U.S. Department of Health and Human Services</u>				
Passed through KY Cabinet for Health and Family Services/ Department for Aging and Independent Living:				
<u>Aging Cluster</u>				
Special Programs of Aging, Title III Part B, Grants for Supportive Services and Senior Centers	93.044	PON2 725 2100002005	456,587	756,786
Special Programs of Aging, Title III Part C, Nutrition Services	93.045	PON2 725 2100002005	955,955	1,070,330
Nutrition Services Incentive Program	93.053	PON2 725 2100003024	-	265
Total Aging Cluster			1,412,542	1,827,381
<u>Special Programs for the Aging, Title III, Part D, Disease Prevention and Health promotion Services</u>				
Prevention and Health promotion Services	93.043	PON2 725 2100002005	-	46,494
State Health Insurance Assistance Program	93.324	PON2 725 2000003467	-	42,274
<u>Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation</u>				
Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	PON2 725 2100001810	-	4,242
<u>Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals</u>				
Term Care Ombudsman Services for Older Individuals	93.042	PON2 725 2100001810	-	17,486
National Family Caregiver Support, Title III, Part E	93.052	PON2 725 2100002005	-	244,385
ADRC - No Wrong Door	93.048	PON2 725 2000004400	-	27,657
Medicare Enrollment Assistance Program	93.071	PON2 725 2100003015	-	48,253
Total U.S. Department of Health and Human Services			1,412,542	2,258,172

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal ALN</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Labor</u>				
Passed through Department for Aging and Independent Living: Senior Community Service Employment Program, Title V	17.235	PON2 725 2000002889	-	85,768
Passed through Lake Cumberland Area Development District: WIOA Cluster				
WIA/WIOA Adult Program	17.258	H220360101	-	215,721
Total WIOA Cluster				
Total U.S. Department of Labor			-	301,489
<u>U.S. Environmental Protection Agency</u>				
Passed through Office of Solid Waste and Emergency Response: Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF00D001120	-	111,779
Total U.S. Environmental Protection Agency			-	111,779
<u>U.S. Department of the Treasury</u>				
Passed through the Kentucky Cabinet				
Coronavirus State and Local Fiscal Recovery Funds	21.027	PON2 112-2100003458	-	4,854
Total U.S. Department of the Treasury			-	4,854
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State Department of Local Government CDBG - Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grants	14.218	PON2 112-2100003353	-	9,218
Total CDBG - Entitlement Grants Cluster				
Total U.S. Department of Housing and Urban Development			-	9,218
Total Expenditures of Federal Awards			\$ 1,412,542	\$ 3,120,254

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

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 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
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	14.218
Community Development Block Grants/Special Purpose Grants/Insular Areas	14.219

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2025

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 – SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, the District provided federal awards to the following sub-recipients:

<u>Program Title</u>	<u>Sub Recipient</u>	<u>Federal ID#</u>	<u>Amount</u>
Title III-B Supportive Services	Appalachian Research and Defense Fund	61-0848948	\$ 17,192
Title III-B Supportive Services	Bell County Senior Citizens	61-0860111	14,219
Title III-B Supportive Services	Clay County Old Timers	61-0852946	69,660
Title III-B Supportive Services	Corbin Senior Citizens	61-0889922	33,565
Title III-B Supportive Services	Harlan County Committee on Aging	61-0942738	50,984
Title III-B Supportive Services	Jackson County Senior Center	61-0854989	10,091
Title III-B Supportive Services	KCEOC Community Action Partnership	61-0647835	13,128
Title III-B Supportive Services	Laurel County OPAC	61-0921182	115,569
Title III-B Supportive Services	Red Bird Mission	61-0674373	21,636
Title III-B Supportive Services	Rockcastle County Senior Citizens	61-0898451	51,492
Title III-B Supportive Services	Senior Citizens of Whitley County	61-0896188	59,051
			<u>456,587</u>
Title III-C1 Nutrition Services	Bell County Senior Citizens	61-0860111	37,220
Title III-C1 Nutrition Services	Clay County Old Timers	61-0852946	14,136
Title III-C1 Nutrition Services	Corbin Senior Citizens	61-0889922	88,514
Title III-C1 Nutrition Services	Harlan County Committee on Aging	61-0942738	59,644
Title III-C1 Nutrition Services	Jackson County Senior Center	61-0854989	27,541
Title III-C1 Nutrition Services	KCEOC Community Action Partnership	61-0647835	58,854
Title III-C1 Nutrition Services	Laurel County OPAC	61-0921182	59,204
Title III-C1 Nutrition Services	Red Bird Mission	61-0674373	7,741
Title III-C1 Nutrition Services	Rockcastle County Senior Citizens	61-0898451	80,646
Title III-C1 Nutrition Services	Senior Citizens of Whitley County	61-0896188	49,312
			<u>482,812</u>
Title III-C2 Home Delivered Meals	Bell County Senior Citizens	61-0860111	54,507
Title III-C2 Home Delivered Meals	Clay County Old Timers	61-0852946	34,532
Title III-C2 Home Delivered Meals	Corbin Senior Citizens	61-0889922	47,907
Title III-C2 Home Delivered Meals	Harlan County Committee on Aging	61-0942738	67,856
Title III-C2 Home Delivered Meals	Jackson County Senior Center	61-0854989	29,554
Title III-C2 Home Delivered Meals	KCEOC Community Action Partnership	61-0647835	52,731
Title III-C2 Home Delivered Meals	Laurel County OPAC	61-0921182	90,752
Title III-C2 Home Delivered Meals	Red Bird Mission	61-0674373	16,450
Title III-C2 Home Delivered Meals	Rockcastle County Senior Citizens	61-0898451	35,670
Title III-C2 Home Delivered Meals	Senior Citizens of Whitley County	61-0896188	43,184
			<u>473,143</u>
	Total Aging		<u>\$ 1,412,542</u>



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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

Members of the Board
Cumberland Valley Area Development District
London, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland Valley Area Development District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Cumberland Valley Area Development District's basic financial statements, and have issued our report thereon dated December 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland Valley Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*. In addition, the results of our test disclosed no instances of material noncompliance with specific state statutes or regulations identified in the *Independent Auditor's Contract-State Audit Requirements*.

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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.

A handwritten signature in blue ink that reads "Cloyd & Associates, PSC". The signature is written in a cursive, flowing style.

Cloyd & Associates, PSC
London, Kentucky
December 31, 2025



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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

Members of the Board
Cumberland Valley Area Development District
London, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cumberland Valley Area Development District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Cumberland Valley Area Development District's major federal programs for the year ended June 30, 2025. 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, Cumberland Valley Area Development District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to 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 District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
December 31, 2025

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement noted	_____	Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN</u>
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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

Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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(continued)

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

Status of Prior Year Findings

There were no prior year audit findings.

**CUMBERLAND VALLEY AREA DEVELOPMENT DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**

NAME OF CONTACT PERSON

Whitney Chesnut, Executive Director

606-864-7391

CORRECTION ACTION PLANNED

No corrective action needed.