

***PENNYRILE AREA DEVELOPMENT
DISTRICT***

FINANCIAL AND COMPLIANCE AUDIT

June 30, 2021

**PENNYRILE AREA DEVELOPMENT DISTRICT
300 HAMMOND DRIVE
HOPKINSVILLE, KENTUCKY 42240**

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2021

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**PENNYRILE AREA DEVELOPMENT DISTRICT
BOARD OF DIRECTORS**

June 30, 2021

Officers

Judge Executive Perry Newcom, Chair
Judge Executive Hollis Alexander, Vice Chair
Crissy Carter, Treasurer
Mayor Jan Yonts, Secretary
Jason Vincent, Executive Director

Caldwell County

Larry Curling, Judge Executive
Nicky Baker, Citizen Representative
Mike Cherry, Citizen Representative
Dakota Young, Mayor of Princeton

Christian County

Steve Tribble, Judge Executive
Wendell Lynch, Mayor of Hopkinsville
Lori Harper, Citizen Representative
Rev. Buddy Slaughter, Citizen Representative
Bernard Standard, Citizen Representative

Crittenden County

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

Hopkins County

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

Livingston County

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

Lyon County

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

Muhlenberg County

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

Todd County

Todd Mansfield, Judge Executive
Arthur Green, Mayor of Elkton
Jo Ann Holder, Citizen Representative
Scott Marshall, Citizen Representative

Trigg County

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

WEST KENTUCKY WORKFORCE BOARD

BOARD OF DIRECTORS

June 30, 2021

Officers

Jackie Jones, Chair
Dennis Courtney, Vice Chair
Sandy Richey, Treasurer
Phillip Bean, Treasurer

Business

Justin Puckett, Ballard County
Jason Redfern, Caldwell County
Dennis Courtney, Calloway County
Phillip Bean, Carlisle County
Jackie Jones, Christian County
Tim Capps, Crittenden County
Chris Pane, Fulton County
Brad Youngblood, Graves County
Deena Pittman, Hickman County
Ben Spears, Hopkins County
Crissy Carter, Livingston County
Deb Domke, Lyon County
Justin Nichols, Marshall County
Terri Lundberg, McCracken County
Wayne W. Belanger, Todd County
Donnie Holland, Trigg County
Laura Thomas, Pennyriple Manufacturing
Sandra Richey, Pennyriple Manufacturing
Sasha Grogan, Purchase Manufacturing
Hayleigh Feagin, Purchase Manufacturing

Workforce

Chad Rennison, Fredonia
Jim Key, Paducah
Kyle Henderson, Paducah
Vickie Hutcheson, Bowling Green
Jay Stone, Hopkinsville
Becki Wells, Hopkinsville
Leigh Ann Jarvis, Mayfield
Tim Herring, Hopkinsville

Government & Economic Development

Mark Manning, Econ. Dev, Purchase
Dan Bozarth, Econ. Dev, Pennyriple
Jason Vincent, Area Development District
Jonathon Pendergrass, Career Development Off.
Jason Cole, Office of Vocational Rehabilitation

Education & Training

Chris Wooldridge, Murray State University
Dr. Alissa Young, Hopkinsville Community Coll.
Dr. Anton Reece, West KY Community Tech
Dr. Cindy Kelley, Madisonville Community Coll.
Anna Larson, Adult Education

Ex Officio

Judge Todd Cooper, Purchase CLEO
Judge Steve Tribble, Pennyriple CLEO

**PENNYRILE HOUSING CORPORATION
BOARD OF DIRECTORS**

June 30, 2021

Officers

Heath Duncan, Chairman

Caldwell County

Gale Cherry, Director

Larry Curling, Director/Judge Executive

Christian County

Shirley Carter, Director

Gertrude Bullock, Director

Crittenden County

Todd Perryman, Director

Darrin Tabor, Director

Hopkins County

Heath Duncan, Director

Livingston County

Randell O'Bryan, Director

Barkley Gaines, Director

Lyon County

Wade White, Director/Judge Executive

Gerald Board, Director

Muhlenberg County

Gary Jones, Director

Todd County

Todd Mansfield, Director/Judge Executive

Trigg County

Hollis Alexander, Director/Judge Executive

Lucy Miller, Director

**PENNYRILE DEVELOPMENT AND GOVERNMENTAL CENTER
BOARD OF DIRECTORS**

June 30, 2021

Officers

David Shore, Chair
Eddie DeArmond, Vice Chair
Rich Liebe, Secretary / Treasurer

Caldwell County

Sherman Chaudoin

Christian County

Rich Liebe

Muhlenberg County

Eddie DeArmond

Todd County

John Walton

Trigg County

David Shore



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyriple Area Development District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pennyriple Area Development District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each

To the Board of Directors
Pennyriple Area Development District
January 3, 2022
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major fund of the Pennyriple Area Development District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 – 13 as well as the Schedule of Proportionate Share of Net Pension Liability, Schedule of Required Contributions – Pension, Schedule of Proportionate Share of Net Other Post-Employment Benefits Liability, Schedule of Required Contributions – Other Post-Employment Benefits, and the notes to the required supplementary information on pages 50 – 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennyriple Area Development District's basic financial statements. The Statement of Revenues and Expenditures by Program – Statutory Basis on pages 61 – 67 and the Schedule of Expenditures of Federal Awards with the Notes to the Schedule of Expenditures of Federal Awards on pages 56 – 60, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

To the Board of Directors
Pennyrile Area Development District
January 3, 2022
Page 3 of 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2022, on our consideration of the Pennyrile 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 Pennyrile Area Development District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennyrile Area Development District's internal control over financial reporting and compliance.

Calhoun & Company

Hopkinsville, Kentucky
January 3, 2022



Pennyriple Area Development District

a regional planning and development agency

300 Hammond Drive, Hopkinsville, KY 42240

voice (270) 886-9484 fax (270) 886-3211

www.peadd.org

email peadd@peadd.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The Pennyriple Area Development District ("District") offers this Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2021. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this report.

FINANCIAL HIGHLIGHTS

- The liabilities and net position of the District exceeded its assets by \$1,141,702 at June 30, 2021.
- The District's total net position increased by \$567,758 during the year.
- The Fund Balance, a measure of current financial resources, increased in the governmental funds by \$514,074 to a fund balance of \$3,302,901 at June 30, 2021. As contract amounts vary from year to year, some of the excess revenues over expenditures have been set aside for administration of future projects. Programs with excess revenues to be used in upcoming fiscal years are listed as follows:
 - Participant Directed Service Programs - \$261,814
 - Relending Programs - \$13,487

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 14 – 15 of this report.

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 –20 of this report.

Notes to the Financial Statements

These notes provide additional information crucial to understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 21 – 48 of this report.

Required Supplementary Information

In addition to basic financial statements and accompanying notes, GASB 34 requires budgetary comparison schedules for the General Fund that has a legally adopted budget. The District is under no legal requirements to adopt budgets and this information has not been presented.

Required supplementary information and notes to the required supplementary information can be found on pages 50 – 54 of this report.

Supplementary Information

Supplementary information that is not a required part of the basic financial statements can be found on pages 56 – 67 of this report.

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

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows by \$1,141,702 at June 30, 2021. The District's Net Investment in Capital Assets reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Pennyrile Area Development District Net Position

	Governmental Activities		Component Unit Activities		Total	
	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021
Assets						
Current and Other Assets	\$ 4,642,701	\$ 5,965,716	\$ 378,186	\$ 455,228	\$ 5,020,887	\$ 6,420,944
Capital Assets	734,876	719,900	3,186	3,186	738,062	723,086
Total Assets	<u>5,377,577</u>	<u>6,685,616</u>	<u>381,372</u>	<u>458,414</u>	<u>5,758,949</u>	<u>7,144,030</u>
Deferred Outflows of Resources						
Deferred Pension Outflows	925,244	905,250	-	-	925,244	905,250
Deferred OPEB Outflows	442,740	494,146	-	-	442,740	494,146
Total Deferred Outflows of Resources	<u>1,367,984</u>	<u>1,399,396</u>	<u>-</u>	<u>-</u>	<u>1,367,984</u>	<u>1,399,396</u>
Liabilities						
Current and Other Liabilities	838,851	968,422	323,656	435,422	1,162,507	1,403,844
Net Pension Liabilities	4,724,096	5,300,987	-	-	4,724,096	5,300,987
Net OPEB Liabilities	1,152,058	1,668,410	-	-	1,152,058	1,668,410
Long-Term Liabilities	638,916	628,064	96,449	57,839	735,365	685,903
Total Liabilities	<u>7,353,921</u>	<u>8,565,883</u>	<u>420,105</u>	<u>493,261</u>	<u>7,774,026</u>	<u>9,059,144</u>
Deferred Inflows of Resources						
Deferred Revenue	174,498	353,630	6,637	6,637	181,135	360,267
Deferred Pension Inflows	362,285	162,652	-	-	362,285	162,652
Deferred OPEB Inflows	518,947	103,065	-	-	518,947	103,065
Total Deferred Inflows of Resources	<u>1,055,730</u>	<u>619,347</u>	<u>6,637</u>	<u>6,637</u>	<u>1,062,367</u>	<u>625,984</u>
Net Position						
Net Investment in Capital Assets	269,876	274,900	3,186	3,186	273,062	278,086
Restricted:						
Revolving Loan Fund	651,345	663,607	-	-	651,345	663,607
Revolving Loan Fund - CARES	-	621,040	-	-	-	621,040
Intermediary Relending Program	671,577	669,020	-	-	671,577	669,020
Unrestricted	(3,256,888)	(3,328,785)	(48,556)	(44,670)	(3,305,444)	(3,373,455)
Total Net Position	<u>\$ (1,664,090)</u>	<u>\$ (1,100,218)</u>	<u>\$ (45,370)</u>	<u>\$ (41,484)</u>	<u>\$ (1,709,460)</u>	<u>\$ (1,141,702)</u>

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

Pennyrile Area Development District Changes in Net Position

	Governmental Activities		Component Unit Activities	
	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Revenues				
Program Revenues				
Charges for Services	\$ 293,919	\$ 263,601	\$ 9,573	\$ 1,471
Operating Grants and Contributions	8,041,251	10,288,387	4,213,077	4,372,910
Capital Grants and Contributions	-	619,814	-	-
General Revenues				
Annual Assessments	98,697	98,688	-	-
Interest Earned	21,690	2,178	78	24
Other Revenues	21,149	29,190	163,690	34,860
Total Revenues	<u>8,476,706</u>	<u>11,301,858</u>	<u>4,386,418</u>	<u>4,409,265</u>
Expenses				
General Government	404,767	473,857	-	-
Community / Economic Development	1,096,595	870,741	-	-
Transportation Services	112,019	105,476	-	-
Aging and Independent Living Services	6,929,371	9,171,214	-	-
Revolving Loan Fund	10,133	50,276	-	-
Intermediary Relending Program	10,922	14,915	-	-
Pennyrile Development & Gov't Center	28,052	30,378	-	-
Pennyrile Housing Corporation	-	-	119,570	67,624
West Kentucky Workforce Board	-	-	4,206,239	4,336,970
Interest on Long-Term Debt	23,156	21,129	2,411	785
Total Expenses	<u>8,615,015</u>	<u>10,737,986</u>	<u>4,328,220</u>	<u>4,405,379</u>
Change in Net Position	(138,309)	563,872	58,198	3,886
Net Position - Beginning	(1,525,714)	(1,664,090)	(103,570)	(45,370)
Reclassifications / Adjustment	(67)	-	2	-
Net Position - Beginning, as Restated	(1,525,781)	(1,664,090)	(103,568)	(45,370)
Net Position - Ending	<u>\$ (1,664,090)</u>	<u>\$ (1,100,218)</u>	<u>\$ (45,370)</u>	<u>\$ (41,484)</u>

Changes in Net Position – Governmental Activities. The District's governmental activities increased net position by \$563,872 in the fiscal year 2021. Key elements of the increase are as follows:

Total revenues were \$11,301,858, an increase of 33% over the prior year. Of this, program revenues represent 99% of total revenues. Major sources of program revenues include various community support funding and grants. General revenues represent 1% of total revenues. Major sources of general revenues include annual assessments and interest income.

Total expenditures were \$10,737,986, an increase of 25% from the previous year. Of this, the major functions include aging services and community and economic development services. Together they comprise 94% of the total program expenditures.

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

1. The PHC’s total revenues were \$72,295, a decrease of 60% from the prior year. Of this, program revenues represent 52% of total revenues. Charges for services and operating grants and contributions are the major sources of program revenue. General revenues represent 48% of total revenue.

Expenditures totaled \$68,409, a decrease of 44% from the previous year.

2. The WKWB’s total revenues were \$4,336,970, an increase of 3% from the prior year. The WKWB did not have any general revenues during the 2021 or 2020 fiscal years.

Expenditures totaled \$4,336,970, an increase of 3% from the previous year.

CAPITAL ASSETS

The District’s investment in capital assets as of June 30, 2021 is \$723,086 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

	Governmental Activities		Component Unit Activities		Total	
	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021
Land	\$ 9,988	\$ 9,988	\$ -	\$ -	\$ 9,988	\$ 9,988
Buildings and Improvements	1,391,131	1,440,267	-	-	1,391,131	1,440,267
Office Furniture and Equipment	235,727	238,479	21,636	21,636	257,363	260,115
Computers and Equipment	209,961	209,961	87,932	87,932	297,893	297,893
Vehicles	106,484	106,484	-	-	106,484	106,484
Construction in Progress	-	-	3,186	3,186	3,186	3,186
	1,953,291	2,005,179	112,754	112,754	2,066,045	2,117,933
Less Accumulated Depreciation	(1,218,415)	(1,285,279)	(109,568)	(109,568)	(1,327,983)	(1,394,847)
Total Net Capital Assets	<u>\$ 734,876</u>	<u>\$ 719,900</u>	<u>\$ 3,186</u>	<u>\$ 3,186</u>	<u>\$ 738,062</u>	<u>\$ 723,086</u>

Additional information on the District’s capital assets can be found in Note 3 of this report.

LONG TERM DEBT

At year-end, the District had \$445,000 in outstanding notes and program debt, compared to \$465,000 at June 30, 2020. The PHC had \$76,209 in outstanding notes and program debt, compared to \$96,449 at June 30, 2020.

The Pennyriple Development and Governmental Center had \$445,000 in outstanding notes at June 30, 2021 compared to \$465,000 at June 30, 2020.

During the year, \$20,000 was paid to reduce the debt outstanding related to the building addition.

The Pennyriple Housing Corporation’s payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were \$20,240. These loans are drawn down periodically as the money is needed for various housing projects. There were no borrowings during the fiscal year ended June 30, 2021. Additional information on the District’s long-term debt can be found in Note 4 of this report.

ECONOMIC FACTORS

During the 2021 fiscal year, the District completed its 52nd year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning, review and technical services in areas of public administration, social services, economic development, workforce development and transportation to the local Pennyryle communities in Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd, and Trigg Counties.

The District has benefited from increased federal and state funding to address issues stemming from the COVID-19 pandemic. However, we believe Congress and the State Legislator will look for areas to reduce future discretionary spending to pay for COVID-19 related programs. In addition, specifically at the State level, future budgets will have to absorb substantial liabilities in the area of pension, healthcare, and continued investment in much needed infrastructure. The District is engaged with Legislative and Cabinet level leaders in order to monitor potential shortfalls impacting programs operated by the District. Management continues to make every effort to minimize any negative impact on future operations.

The Pennyryle Area Development District serves as the Sub-Grant Recipient/Fiscal Agent for the West Kentucky Workforce Board (WKWB). The WKWB's allocation funding is partially based on the employment/economic status of the Pennyryle and Purchase regions (totally 17 counties). As major unemployment events may occur, the WKWB receives additional grant dollars to provide services to dislocated workers beyond these allocations. The WKWB has normally participated in several federal direct funded US Department of Labor grants for special services, but funding availability for these programs are also being reduced with limited funds now being offered in competitive solicitations.

REQUESTS FOR INFORMATION

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

Respectfully Submitted,



Jason Vincent, Executive Director

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021

	Pennyrile Area Development District	Pennyrile Housing Corporation	West Kentucky Workforce Board
Assets			
Cash and Cash Equivalents	\$ 2,269,201	\$ 39,289	\$ 108,750
Program Receivables	2,156,217	5,000	436,490
Receivables Due (to) from Component Units	173,520	(48,604)	(128,678)
Other Current Assets	6,015	-	-
Non-Current Assets			
Notes Receivable, Due Within One Year	295,957	12,024	-
Notes Receivable, Due in More Than One Year	1,064,806	30,957	-
Depreciable Capital Assets, Net	709,912	-	-
Non-Depreciable Capital Assets	9,988	3,186	-
Total Assets	6,685,616	41,852	416,562
Deferred Outflows of Resources			
Deferred Outflows - Pensions	905,250	-	-
Deferred Outflows - Other Post Employment Benefits	494,146	-	-
Total Deferred Outflows of Resources	1,399,396	-	-
Liabilities			
Accounts Payable	704,316	490	384,274
Grants Payable	15,901	-	-
Other Current Liabilities	228,205	-	32,288
Non-Current Liabilities			
Accrued Annual Leave	203,064	-	-
Net Pension Liability	5,300,987	-	-
Net Other Post Employment Benefits Liability	1,668,410	-	-
Due Within One Year	20,000	18,370	-
Due in More Than One Year	425,000	57,839	-
Total Liabilities	8,565,883	76,699	416,562
Deferred Inflows of Resources			
Unavailable Revenue	353,630	6,637	-
Deferred Inflows - Pensions	162,652	-	-
Deferred Inflows - Other Post Employment Benefits	103,065	-	-
Total Deferred Inflows of Resources	619,347	6,637	-
Net Position			
Net Investment in Capital Assets	274,900	3,186	-
Restricted:			
Revolving Loan Fund	663,607	-	-
Revolving Loan Fund - CARES	621,040	-	-
Intermediary Relending Program	669,020	-	-
Unrestricted	(3,328,785)	(44,670)	-
Total Net Position	\$ (1,100,218)	\$ (41,484)	\$ -

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions / Programs	Direct Expenses	Shared Costs Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary Government							
Governmental Activities							
General Government	\$ 473,857	\$ -	\$ 2,340	\$ (54,091)	\$ -	\$ (525,608)	\$ -
Community / Economic Development	732,497	138,244	177,749	763,135	-	70,143	-
Transportation Services	79,786	25,690	-	106,996	-	1,520	-
Aging and Independent Living Services	8,854,823	316,391	3,832	9,425,149	-	257,767	-
Revolving Loan Fund	2,228	851	15,206	-	-	12,127	-
Revolving Loan Fund - CARES	43,923	3,274	1,225	47,198	619,814	621,040	-
Intermediary Relending Program	11,527	3,388	11,742	-	-	(3,173)	-
Pennyrile Development & Gov't Center	30,378	-	51,507	-	-	21,129	-
Interest on Long-Term Debt	21,129	-	-	-	-	(21,129)	-
Total Governmental Activities	<u>10,250,148</u>	<u>487,838</u>	<u>263,601</u>	<u>10,288,387</u>	<u>619,814</u>	<u>433,816</u>	<u>-</u>
Total Primary Government	<u>\$ 10,250,148</u>	<u>\$ 487,838</u>	<u>\$ 263,601</u>	<u>\$ 10,288,387</u>	<u>\$ 619,814</u>	<u>433,816</u>	<u>-</u>
Component Units							
Pennyrile Housing Corporation	\$ 59,654	\$ 7,970	\$ 1,471	\$ 35,940	\$ -	-	(30,213)
West Kentucky Workforce Board	4,062,951	274,019	-	4,336,970	-	-	-
Interest on Long-Term Debt	785	-	-	-	-	-	(785)
Total Component Units	<u>\$ 4,123,390</u>	<u>\$ 281,989</u>	<u>\$ 1,471</u>	<u>\$ 4,372,910</u>	<u>\$ -</u>	<u>-</u>	<u>(30,998)</u>
General Revenues							
Annual Assessments						98,688	-
Interest Earned						2,178	24
Other Revenues						29,190	34,860
Total General Revenues						<u>130,056</u>	<u>34,884</u>
Change in Net Position						563,872	3,886
Net Position - Beginning						<u>(1,664,090)</u>	<u>(45,370)</u>
Net Position - Ending						<u>\$ (1,100,218)</u>	<u>\$ (41,484)</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Revenue Fund	Pennyrile Development & Governmental Center	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 988,392	\$ 1,267,168	\$ 13,641	\$ 2,269,201
Program Receivables	29,790	2,126,427	-	2,156,217
Due from Component Units	151,808	139,510	-	291,318
Other Current Assets	2,035	3,980	-	6,015
Total Assets	\$ 1,172,025	\$ 3,537,085	\$ 13,641	\$ 4,722,751
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	\$ 51,607	\$ 652,384	\$ 325	\$ 704,316
Grants Payable	-	15,901	-	15,901
Due to Component Units	-	-	117,798	117,798
Other Current Liabilities	1,714	226,491	-	228,205
Total Liabilities	53,321	894,776	118,123	1,066,220
Deferred Inflows of Resources				
Deferred Revenue	17,014	336,616	-	353,630
Total Deferred Inflows of Resources	17,014	336,616	-	353,630
Fund Balances				
Nonspendable:				
Long-term Notes Receivable	-	1,360,763	-	1,360,763
Restricted:				
Revolving Loan Fund	-	663,607	-	663,607
Revolving Loan Fund - CARES	-	621,040	-	621,040
Intermediary Relending Program	-	669,020	-	669,020
Assigned:				
Accrued Annual Leave	203,064	-	-	203,064
Unassigned	898,626	(1,008,737)	(104,482)	(214,593)
Total Fund Balances	1,101,690	2,305,693	(104,482)	3,302,901
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,172,025	\$ 3,537,085	\$ 13,641	\$ 4,722,751

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Total Governmental Funds	\$ 3,302,901
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Amounts reported for governmental activities in the Statement of Net Position are different because (See Note 1):

Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds.	1,360,763
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. More specifically, non-depreciable and depreciable assets are reported on the Statement of Net Position.	719,900
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Some deferred outflows are not due and receivable in the current period and therefore are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	905,250
Deferred Outflows of Resources Related to Other Post Employment Benefits	494,146

Some liabilities, including net pension obligations are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Accrued Annual Leave	(203,064)
Notes Payable	(445,000)
Net Pension Liability	(5,300,987)
Net Other Post Employment Benefits Liability	(1,668,410)

Some deferred inflows are not due and payable in the current period and therefore are not reported in the funds.

Deferred Inflows of Resources Related to Pensions	(162,652)
Deferred Inflows of Resources Related to Other Post Employment Benefits	(103,065)

Net Position of Governmental Activities	<u><u>\$ (1,100,218)</u></u>
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PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Pennyrile Development & Governmental Center	Total Governmental Funds
Revenues				
Charges for Services	\$ 180,089	\$ 32,005	\$ -	\$ 212,094
Rent	-	-	51,507	51,507
Grants	(54,091)	10,342,478	-	10,288,387
Annual Assessments	98,688	-	-	98,688
Interest Income	1,264	869	45	2,178
Other Revenues	21,284	7,906	-	29,190
Total Revenues	247,234	10,383,258	51,552	10,682,044
Expenditures				
Current				
General Government	43,286	-	4,202	47,488
Community / Economic Development	103,458	759,697	-	863,155
Transportation Services	-	99,204	-	99,204
Aging and Independent Living Services	-	9,141,715	-	9,141,715
Revolving Loan Fund	-	49,341	-	49,341
Intermediary Relending Program	-	14,253	-	14,253
Debt Service				
Principal	-	-	20,000	20,000
Interest and Other Charges	-	-	21,129	21,129
Capital Outlays	2,751	-	49,137	51,888
Total Expenditures	149,495	10,064,210	94,468	10,308,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	97,739	319,048	(42,916)	373,871
Other Financing Sources (Uses)				
Payments on Notes Receivable	-	324,576	-	324,576
RLF CARES Contributed Capital	-	619,814	-	619,814
Issuance of Loans	-	(824,814)	-	(824,814)
Total Other Financing Sources (Uses)	-	119,576	-	119,576
 Net Change in Fund Balances	 97,739	 438,624	 (42,916)	 493,447
Fund Balances - Beginning	983,324	1,867,069	(61,566)	2,788,827
Transfers - Component Units	20,627	-	-	20,627
Fund Balances - Ending	\$ 1,101,690	\$ 2,305,693	\$ (104,482)	\$ 3,302,901

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 493,447

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

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

New Loan Issued	\$	824,814	
Less: Payments Received		(324,576)	
		\$ 500,238	500,238

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

District Pension Contributions	\$	341,222	
Cost of Benefits Earned Net of Employee Contributions		(738,474)	
		\$ (397,252)	(397,252)

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

District Other Post Employment Benefit Contributions	\$	84,156	
Cost of Benefits Earned Net of Employee Contributions		(133,220)	
		\$ (49,064)	(49,064)

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

Fixed Assets Purchased	\$	51,888	
Less: Depreciation		(50,145)	
To Reconciliation		\$ 1,743	1,743

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

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

New Debt Incurred	\$ -	
Retired Debt	20,000	
Net Debt Service	<u>\$ 20,000</u>	20,000

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

(5,240)

Change in Net Position of Governmental Activities

\$ 563,872

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies

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

a. The Reporting Entity

The Pennyrile Area Development District (the District) was established under the laws of the Commonwealth of Kentucky by KRS 147A.050(4). The Attorney General in OAG 78-534 held that Area Development Districts are political subdivisions of the Commonwealth of Kentucky. As an Area Development District, the District entered into various agreements, memoranda of agreements and contracts, all of which are subject to the financial management of the District. The District operates under a Board of Directors comprised of a minimum of fifty-one percent elected officials. The County Judge / Executive, at least one mayor and a citizen director from each of the nine counties serve on the Board.

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

Discretely presented component units:

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

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

a. The Reporting Entity, Continued

Blended component unit:

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

b. Basis of Presentation

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

c. Basis of Accounting and Measurement Focus

i. Government-Wide Financial Statements

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

c. Basis of Accounting / Measurement Focus, Continued

ii. Fund Financial Statements

Fund financial statements report detailed information about the District. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented, if applicable. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

The District has the following major governmental funds:

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

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

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

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

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, only current assets,

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

c. Basis of Accounting/Measurement Focus, Continued

ii. Fund Financial Statements, Continued

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

d. Use of Estimates

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

e. Interfund Transfers

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

f. Cash and Investments

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021**

1. Summary of Significant Accounting Policies, Continued

g. Capital Assets

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

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

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

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

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

h. Notes Receivable

Notes receivable are stated at the outstanding principal amount net of allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements and are collateralized by promissory notes and security agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. While management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2021, there was one note receivable that was delinquent. The District is in the process of foreclosing on the personal assets of the business owners. The potential loss on the foreclosure is probable, but the amount of the loss cannot be reasonably estimated.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

i. Compensated Absences

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

Accumulated unpaid annual leave amounts are accrued when incurred in the governmental funds if significant at year-end. At June 30, 2021, these liabilities included \$203,064 in annual leave pay.

j. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial Position and Balance Sheet may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until that time. As of June 30, 2021, the District has \$905,250 that relates to pensions as required by GASB Statement No. 68 and \$494,146 that relates to other post-employment benefits as required by GASB Statement No. 75 in deferred outflows of resources.

In addition to liabilities, the Statement of Financial Position and Balance Sheet may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$360,267 in deferred inflows of resources for fiscal year ended June 30, 2021 that relates to funds received that relate to a future time period. Additionally, as of June 30, 2021, the District also has \$162,652 related to pensions as required by GASB Statement No. 68 and \$103,065 related to other post-employment benefits as required by GASB Statement No. 75 in deferred inflows of resources.

k. Payables and Long-Term Obligations

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

l. Pensions

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

m. Other Post-Employment Benefits

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

n. Government-Wide Net Position

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

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

Restricted Net Position – consists of net assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has a restricted net position in the Revolving Loan Fund, Revolving Loan Fund CARES, Intermediary Relending Program in the amounts of \$663,607, \$621,040 and \$669,020, respectively.

Unrestricted Net Position – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. The Board of Directors has the authority to revisit or alter this designation. As of June 30, 2021, the District had a deficit unrestricted net position in the amount of (\$3,328,785). This deficit is due mostly to compliance with GASB Statement No. 68 and GASB Statement No. 75 in recording the deferred outflows of resources, net liabilities associated with pensions and other post-employment benefits, and deferred inflows of resources. The net deficit amount related to these transactions is (\$5,835,718).

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

o. Governmental Fund Equity

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

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. For fiscal year ended June 30, 2021, \$1,360,763 related to the long-term notes receivable for the Revolving Loan Fund, CARES Revolving Loan Funds, and Intermediary Relending Program is nonspendable.

Restricted – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. For fiscal year ended June 30, 2021, \$663,607 has been grantor restricted for the Revolving Loan Fund, \$621,040 has been grantor restricted for the CARES Revolving Loan Fund, and \$669,020 has been grantor restricted for the Intermediary Relending Program.

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

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The amounts may be assigned by the Board or management. For the fiscal year ended June 30, 2021, \$203,064 has been assigned for future use related to compensated absences.

Unassigned – all other amounts not included in other spendable classifications. As of June 30, 2021, Pennyriple Development & Governmental Center had a deficit fund balance in the amount of (\$104,482) and the Special Revenue Fund had a deficit fund balance in the amount of (\$1,008,737).

p. Prioritization and Use of Available Resources

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

q. Non-exchange Transactions

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

1. Summary of Significant Accounting Policies, Continued

r. Cost Allocation Plan

The District is required by the Department of Local Government to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins in Note 9. The District is in conformity with 2 CFR Part 225.

s. Fair Value of Financial Instruments

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

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

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

t. Subsequent Events

Subsequent events have been evaluated by management through January 3, 2022, the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

u. Related Company Transactions

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

v. Budgetary Information

The District is not required to adopt a legally binding budget for its various funds. The District follows the general practice of adopting program budgets; however, any combining of such budgets to present a comparison of the District’s overall operations would not be meaningful and would be unduly complex.

The WKWB is required to adopt a legally binding contract budget.

w. Concentrations

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

2. Deposits and Investments

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

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

As of the high cash day for the fiscal year ended June 30, 2021, the amount of deposits collateralized by depository insurance and pledged securities is as follows:

	Bank Balance	Depository Insurance	Pledged Securities	(Over) / Under Collateralized
Governmental Activities	\$ 2,043,032	\$ 500,000	\$ 2,811,904	\$ (1,268,872)
Blended Component Unit - PDGC	\$ 59,471	\$ 250,000	\$ -	\$ (190,529)
Component Unit - PHC	\$ 39,291	\$ 500,000	\$ 634,513	\$ (1,095,222)
Component Unit - WKWB	\$ 327,496	\$ 250,000	\$ 685,000	\$ (607,504)

3. Capital Assets

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Position. Capital asset activity of the governmental activities for the year ended June 30, 2021, consisted of the following:

	Balance June 30, 2020	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2021
Governmental Activities				
Land	\$ 9,988	\$ -	\$ -	\$ 9,988
Buildings and Improvements	1,391,131	49,136	-	1,440,267
Office Furniture and Equipment	235,727	2,752	-	238,479
Computers and Equipment	209,961	-	-	209,961
Vehicles	106,484	-	-	106,484
Total	1,953,291	51,888	-	2,005,179
Less Accumulated Depreciation	(1,218,415)			(1,285,279)
Total Governmental Activities	\$ 734,876			\$ 719,900

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

3. Capital Assets, Continued

A summary of the component units fixed asset transactions for the year ended June 30, 2021, follows:

	Balance June 30, 2020	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2021
Component Unit Activities				
Office Furniture and Equipment	\$ 21,636	\$ -	\$ -	\$ 21,636
Computers and Equipment	87,932	-	-	87,932
Construction in Progress	3,186	-	-	3,186
Total	112,754	-	-	112,754
Less Accumulated Depreciation	(109,568)			(109,568)
Total Component Unit Activities	\$ 3,186			\$ 3,186

For the year ended June 30, 2021, depreciation on capital assets, including assets associated with capital leases was charged to the government functions as follows:

Community / Economic Development	\$ 6,758
Transportation Services	1,289
Aging Services	15,553
Revolving Loan Fund	36
RLF CARES	165
Intermediary Relending Program	168
Pennyrile Development and Gov't Center	26,176
West Kentucky Workforce Board	13,799
Pennyrile Housing Corporation	386
Total Depreciation Expense	\$ 64,330

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

4. Non-Current Liabilities

The District's non-current liabilities include compensated absences and notes and leases payable. The following is a summary of non-current liability transactions for the year ended June 30, 2021:

	Balance July 01, 2020	Transfers, Issues, or Additions	Transfers, Payments, or Expenditures	Balance June 30, 2021	Due Within One Year
Governmental Activities					
Leases Payable	\$ 465,000	\$ -	\$ 20,000	\$ 445,000	\$ 20,000
Compensated Absences	193,916	129,849	120,701	203,064	-
Net Pension Liability	4,724,096	576,891	-	5,300,987	-
Net OPEB Liability	1,152,058	516,352	-	1,668,410	-
Total Governmental Activities	<u>6,535,070</u>	<u>1,223,092</u>	<u>140,701</u>	<u>7,617,461</u>	<u>20,000</u>
Component Unit Activities					
Notes from Direct Borrowings	96,449	-	20,240	76,209	18,370
Total Component Unit Activities	<u>96,449</u>	<u>-</u>	<u>20,240</u>	<u>76,209</u>	<u>18,370</u>
Total Non-Current Liabilities	<u>\$ 6,631,519</u>	<u>\$ 1,223,092</u>	<u>\$ 160,941</u>	<u>\$ 7,693,670</u>	<u>\$ 38,370</u>

The District's outstanding note from direct borrowings related to the component unit activities in the amount of \$76,209 is unsecured. The outstanding note from direct borrowings related to the component unit activities in the amount of \$76,209 contains no default provisions.

Non-current liabilities at June 30, 2021, are comprised of the following:

Governmental Activities			
Notes from Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
Kentucky Association of Counties	3.57%	2037	\$ 445,000
Total Governmental Activities			<u>445,000</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

4. Non-Current Liabilities, Continued

Component Units			
<u>Notes from Direct Borrowings</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance End of Year</u>
Kentucky Housing Corporation	1.00%	2022	\$ 3,516
Kentucky Housing Corporation	1.00%	2023	6,413
Kentucky Housing Corporation	1.00%	2025	9,802
Kentucky Housing Corporation	1.00%	2026	12,114
Kentucky Housing Corporation	1.00%	2026	10,249
Kentucky Housing Corporation	1.00%	2028	3,383
Kentucky Housing Corporation	1.00%	2029	3,298
Kentucky Housing Corporation	1.00%	2030	9,576
Kentucky Housing Corporation	1.00%	2031	17,858
Total Component Units			<u>76,209</u>
Total Long-Term Debt			<u><u>\$ 521,209</u></u>

The annual requirements to retire debt are as follows:

Governmental Activities			
Leases Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payable</u>
2022	\$ 20,000	\$ 20,079	\$ 40,079
2023	20,000	19,029	39,029
2024	22,500	17,979	40,479
2025	25,000	16,798	41,798
2026	25,000	15,485	40,485
2027-2031	137,500	60,134	197,634
2032-2036	175,000	27,769	202,769
2037-2041	<u>20,000</u>	<u>1,079</u>	<u>21,079</u>
Total Leases Payable	<u><u>\$ 445,000</u></u>	<u><u>\$ 178,352</u></u>	<u><u>\$ 623,352</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

4. Non-Current Liabilities, Continued

Component Units			
Notes from Direct Borrowings			
Year	Principal	Interest	Total Debt Service
2022	\$ 18,370	\$ 751	\$ 19,121
2023	14,883	567	15,450
2024	11,706	419	12,125
2025	8,468	301	8,769
2026	8,497	161	8,658
2027-2031	<u>14,285</u>	<u>302</u>	<u>14,587</u>
Total Notes from Direct Borrowings	<u>\$ 76,209</u>	<u>\$ 2,501</u>	<u>\$ 78,710</u>
Total Governmental and Component Activities	<u>\$ 521,209</u>	<u>\$ 180,853</u>	<u>\$ 702,062</u>

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

The lease payable is considered to be a capital lease. The lease was to fund the construction of a building addition to the District's facilities. The original purchase price was \$803,027 with accumulated depreciation of \$281,403 and the present value of the minimum lease payments is \$445,000 at June 30, 2021.

5. Pension Plan

a. Plan Description

The District contributes to the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS) that covers members employed in nonhazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The KRS was created by state statute under Kentucky Revised Statute Chapter 61. The KRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the KRS. The Kentucky Department of Revenue, an agency in the legislative branch of state government, administers the plans of KRS. The KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

5. Pension Plan, Continued

b. Benefits Provided

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

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

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

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

c. Contributions

Contributions for members are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. CERS and Insurance Fund covered employees are required to contribute 5% of gross pay and all employees that began participating after September 1, 2008, are required to contribute an additional 1% for health coverage. By law, employer contributions for the CERS and Insurance Fund are required to be paid. The actuarially determined contribution rate for the year ended June 30, 2021, was 24.06% of annual creditable compensation, of which 19.30% and 4.76% was contributed to the pension and insurance funds within CERS, respectively. Contributions to the CERS pension fund were \$341,222 for the year ended June 30, 2021.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

5. Pension Plan, Continued

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

At June 30, 2021, the District reported a liability of \$5,300,987 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan during the year ended June 30, 2020, relative to the contributions of all members for the year ended June 30, 2020. At the June 30, 2020, measurement date, District's proportion was 0.069114%. The District's proportionate share increased 0.001944% from the prior year.

For the year ended June 30, 2021, the District recognized a pension expense of \$738,474.

For the year ended June 30, 2021, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 132,190	\$ -
Change of assumptions	206,995	-
Net difference between projected and actual earnings on plan investments	132,651	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	92,192	162,652
Employer contributions subsequent to the measurement date	<u>341,222</u>	<u>-</u>
	<u>\$ 905,250</u>	<u>\$ 162,652</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

5. Pension Plan, Continued

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

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

<u>June 30</u>	<u>Amount</u>
2022	\$ 139,211
2023	138,680
2024	70,207
2025	53,278
2026	-
	<u>\$ 401,376</u>

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

e. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

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

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using the general accepted actuarial principals.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

5. Pension Plan, Continued

f. Long-Term Rate of Return

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation
U.S Equity	18.75%
Non-U.S. Equity	18.75%
Private Equity	10.00%
Special Credit/High Yield	15.00%
Liquidity	14.50%
Real Estate	5.00%
Opportunistic	3.00%
Real Return	15.00%
Total	<u>100.00%</u>

g. Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for the total pension liability for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021**

5. Pension Plan, Continued

h. Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using a discount rate of 6.25%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.25%) or 1-percent-point higher (7.25%) than the current rate for non-hazardous:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Pennyrile Area Development District's net pension liability	\$ 6,537,270	\$ 5,300,987	\$ 4,277,297

i. Plan Fiduciary Net Position

Detailed information about the pension plan fiduciary net position is available in the separately issued Kentucky Retirement System Comprehensive Annual Financial Report.

6. Post-Employment Benefits Other Than Pensions (OPEB)

a. Plan Description

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

b. Benefits Provided

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

c. Contributions

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1% of creditable compensation to an account created for the payment of

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

6. Post-Employment Benefits Other Than Pensions (OPEB), Continued

c. Contributions, Continued

health insurance benefits. For the year ended June 30, 2021, the required contribution was 4.76% of each employee's covered payroll. Contributions from the District to the Insurance Fund for the year ended June 30, 2021, were \$84,156.

d. Implicit Subsidy

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

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

At June 30, 2021, the District reported a liability of \$1,668,410 for its proportionate share of net liability associated with the other post-employment benefits. The net other post-employment benefits liability was measured as of June 30, 2020, and the total other post-employment benefits liability used to calculate the net other post-employment benefits asset was determined by an actuarial valuation as of that date. The District's portion of the net other post-employment benefits liability was based on the District's contributions to the other post-employment benefits plan during the year ended June 30, 2020, relative to the contributions of all members for the year ended June 30, 2020. At the June 30, 2020, measurement date, the District's proportion was 0.069094%. The District's proportionate share increased 0.001942% from the prior year.

For the year ended June 30, 2021, the District recognized other post-employment benefits expenses of \$133,220.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

6. Post-Employment Benefits Other Than Pensions (OPEB), Continued

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

For the year ended June 30, 2021, District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$ 218
Change of assumptions	290,205	1,765
Net difference between projected and actual earnings on plan investments	55,454	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,385	101,082
Employer contributions subsequent to the measurement date	<u>125,102</u>	<u>-</u>
	<u><u>\$ 494,146</u></u>	<u><u>\$ 103,065</u></u>

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

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

<u>June 30</u>	<u>Amount</u>
2022	\$ 72,723
2023	89,134
2024	57,739
2025	56,071
2026	<u>(9,688)</u>
	<u><u>\$ 265,979</u></u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

6. Post-Employment Benefits Other Than Pensions (OPEB), Continued

f. Actuarial Assumptions

The total other post-employment benefits liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increases	3.30% - 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous System projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

g. Long-Term Expected Rate of Return

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021**

6. Post-Employment Benefits Other Than Pensions (OPEB), Continued

g. Long-Term Expected Rate of Return, Continued

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

Asset Class	Target Allocation
U.S Equity	18.75%
Non-U.S. Equity	18.75%
Private Equity	10.00%
Special Credit/High Yield	15.00%
Liquidity	14.50%
Real Estate	5.00%
Opportunistic	3.00%
Real Return	15.00%
Total	<u>100.00%</u>

h. Discount Rate

Single discount rates of 5.34% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2020. The discount rate determination used an expected rate of return of 6.25% for the total other post-employment benefits, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

6. Post-Employment Benefits Other Than Pensions (OPEB), Continued

i. Sensitivity of the Proportionate Share of Net Other Post-Employment Benefits Liability (Asset) to Changes in the Discount Rate

The following presents the net other post-employment benefits liability of the District, calculated using a discount rate of percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (4.34%) or 1-percent-point higher (6.34%) than the current rate for non-hazardous:

	<u>1% Decrease</u> <u>(4.34%)</u>	<u>Discount Rate</u> <u>(5.34%)</u>	<u>1% Increase</u> <u>(6.34%)</u>
Pennyrile Area Development District's net other post-employment benefits liability	\$ 2,143,417	\$ 1,668,410	\$ 1,278,271

j. Sensitivity of the Proportionate Share of Net Other Post-Employment Benefits Liability (Asset) to Changes in the Healthcare Cost Trend Rate

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Pennyrile Area Development District's net other post-employment benefits liability	\$ 1,291,766	\$ 1,668,410	\$ 2,125,476

k. Fiduciary Net Position

Detailed information about the pension plan fiduciary net position is available in the separately issued Kentucky Retirement System Comprehensive Annual Financial Report.

7. Risk Management

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

7. Risk Management, Continued

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

8. Contingencies

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

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

9. Cost Allocation Plan

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

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

A. Salaries and Wages

- a. **Direct Costs** – The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization.

The charges are supported by auditable labor distribution reports which reflect the actual activities of the employees.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

9. Cost Allocation Plan, Continued

- b. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities:
 - i. Executive Director
 - ii. Administrative Officer
 - iii. Executive Assistant
 - iv. Accounting Clerks
 - v. Website Developer
 - vi. Computer Manager
 - vii. Receptionist

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

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

B. Fringe Benefits

The District contributes the following fringe benefits for its employees:

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

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021

9. Cost Allocation Plan, Continued

C. Travel

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

D. Consultant Contracts

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

E. Printing and Duplicating

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

F. Postage

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

G. Audit Fees

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

H. Building Rental

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

I. Equipment Rental / Purchases

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021**

9. Cost Allocation Plan, Continued

For fiscal year ended June 30, 2021, the shared cost categories that were allocated to all of the programs are as follows:

Salaries	\$ 287,119
Employee Benefits	158,915
Annual Leave	21,729
Travel	5,197
Duplicating	2,088
Postage	3,086
Depreciation	38,155
Other Indirect Costs	<u>253,534</u>
Total Shared Cost	<u>\$ 769,823</u>

10. Recent Accounting Pronouncements

The following recently issued accounting standard is expected to impact the financial statement of the District in future periods.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District is evaluating the requirements of this Statement.

11. Uncertainty

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30

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

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF REQUIRED CONTRIBUTIONS - PENSION
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30**

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER
POST-EMPLOYMENT BENEFITS LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30

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

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF REQUIRED CONTRIBUTIONS - OTHER
POST-EMPLOYMENT BENEFITS
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

1. Changes of Benefit Terms

There were no changes made by the Kentucky Legislature to the benefit terms for fiscal year ended June 30, 2021.

2. Changes of Assumptions

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

SUPPLEMENTARY INFORMATION

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor Number	Passed Through to Subrecipients	Expenditures
<u>U. S. Department of Commerce</u>				
Passed-Through Department for Local Government Joint Funding Administration	11.302	MOA*	\$ -	\$ 85,646
Economic Development Cluster				
Passed-Through Department for Local Government EDA CARES Act	11.307	PON2 112 2100000404	-	153,336
Passed-Through Economic Development Administration Economic Adjustment Program (RLF CARES) (Note 5)	11.307	04-79-07509	-	639,779
Economic Adjustment Assistance (RLF) (Note 5)	11.307	04-79-06079	-	484,856
Total Economic Development Cluster			-	1,277,971
Total U.S. Department of Commerce			-	1,363,617
<u>U.S. Environmental Protection Agency</u>				
Passed-Through University of Kentucky Research Foundation State Indoor Radon Grants	93.113	3200003101-20-299	-	32,871
Total U.S. Environmental Protection Agency			-	32,871
<u>U.S. Department of Defense</u>				
Passed-Through Office of Economic Adjustment Community Economic Adjustment Assistance for Realignment and Closure of a Military Installation	12.607	HQ0005170038	-	224,084
Total U.S. Department of Defense			-	224,084
<u>U. S. Department of Health and Human Services</u>				
Passed-Through Kentucky Cabinet for Health and Family Services Aging Cluster				
Title III Part B - Supportive Services	93.044	PON2 725 2000002717	219,904	252,982
CARES - Title III Part B - Supportive Services	93.044	PON2 725 2000002717	-	150,369
Total Title III Part B - Support Services			219,904	403,351
Title III Part C - Nutrition Services	93.045	PON2 725 2000002717	339,880	400,026
CARES - Title III Part C - Nutrition Services	93.045	PON2 725 2000002717	197,128	197,128
COVID-19 - Title III Part C - Nutrition Services	93.045	PON2 725 2000002717	27,748	27,748
CRRSSA - Title III Part C - Nutrition Services	93.045	PON2 725 2000002717	116,819	116,819
CRF - Title III Part C - Nutrition Services	93.045	PON2 725 2000002717	829,781	829,781
Total Title III Part C - Nutrition Services			1,511,356	1,571,502
Nutrition Services Incentive	93.053	PON2 725 2100000262	78,389	78,389
Total Aging Cluster			1,809,649	2,053,242
Title III Part D - Disease Prevention	93.043	PON2 725 2000002717	17,036	17,036
Title III Part E - Caregiver Support	93.052	PON2 725 2000002717	-	110,807
CARES - Title III Part E - Caregiver Support	93.052	PON2 725 2000002717	-	64,493
Total Title III Part E - Caregiver Support			-	175,300
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.324	PON2 725 2000003467	28,586	30,091
Medical Assistance Program	93.778	PON2 725 2000004400	-	46,196
Title VII - Ombudsman	93.042	PON2 725 2000002714	-	5,573
CARES - Title VII - Ombudsman	93.042	PON2 725 2000002714	-	14,668
Total Title VII - Ombudsman			-	20,241
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 2000002714	-	2,826
Public Health Emergency Preparedness	93.069	PON2 725 2000002444	-	1,000
Medicare Enrollment Assistance Program	93.071	PON2 725 2100000242	19,157	29,536
Total U.S. Department of Health and Human Services			1,874,428	2,375,468
<u>U.S. Department of Homeland Security</u>				
Passed-Through Todd County Fiscal Court Pre-Disaster Mitigation	97.047	MOA*	-	22,505
Total U.S. Department of Homeland Security			-	22,505
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through Kentucky Department for Local Government Neighborhood Stabilization Program	14.228	14N-019	-	940
Total U.S. Department of Housing and Urban Development			-	940

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Labor</u>				
Passed-Through Kentucky Cabinet for Health and Family Services				
Senior Community Service Employment Title V Aging	17.235	PON2 725 2000002889	137,630	147,970
Workforce Innovation and Opportunity Act (WIOA) National Dislocated Worker Grants (NDWG) / Workforce Investment Act (WIA) National Emergency Grants (NEG)	17.277	DW-34024-19-60-A-21	-	184,442
Passed-Through Northern Middle Tennessee Local Workforce Development Board				
WIOA NDWG / WIA NEG	17.277	WIOA-KY-CSWP	-	250,131
Passed-Through Kentucky Department of Labor				
Unemployment Insurance	17.225	PON2 142 2100001328	-	83,724
Trade Adjustment Assistance	17.245	20519	-	469,234
Passed-Through Kentucky Education and Workforce Development Cabinet,				
Department of Workforce, Office of Employment and Training				
WIOA NDWG / WIA NEG - COVID-19	17.277	258CV20	66,951	457,428
Trade Adjustment Assistance	17.245	20519	-	8,271
WIOA Cluster				
WIOA Adult Program	17.258	27320	92,414	251,869
WIOA Adult Program	17.258	27021	48,689	146,817
WIOA Adult Program	17.258	27321	47,831	206,289
WIOA Youth Activities	17.259	27420	19,375	216,399
WIOA Youth Activities	17.259	27421	40,666	611,334
WIOA Dislocated Worker Formula Grant	17.278	27119	303,628	697,916
WIOA Dislocated Worker Formula Grant	17.278	27219	1,146	26,130
WIOA Dislocated Worker Formula Grant	17.278	27120	154,169	532,115
WIOA Dislocated Worker Formula Grant	17.278	27221	51,929	183,850
Total WIOA Cluster			<u>759,847</u>	<u>2,872,719</u>
Passed-Through Kentucky Administrative Office of the Courts				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	92.243	PON2 2100000274	-	11,021
Total U.S. Department of Labor			<u>964,428</u>	<u>4,484,940</u>
<u>Delta Regional Authority</u>				
Passed-Through Department for Local Government				
Delta Regional Authority Act - Technical Assistance	90.200	SF424	-	14,226
Total Delta Regional Authority			<u>-</u>	<u>14,226</u>
Total Federal Award Expenditures			<u>\$ 2,838,856</u>	<u>\$ 8,518,651</u>

* Memorandum of Agreement (MOA)

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021 and is presented on the statutory basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not represent the financial position, changes in net assets, or cash flows for the District.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

4. Federal Expenditure Reconciliation

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

Federal Expenditures	\$ 7,394,016
RLF Project Funds	484,856
RLF CARES Project Funds	<u>639,779</u>
Total Federal Expenditures	<u><u>\$ 8,518,651</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
JUNE 30, 2021

5. Revolving Loan Federal Expenditures Calculation, Continued

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

RLF	
Loan Receivable at 6/30/2021	\$ 396,402
Cash in Bank	234,318
Administrative Expenses	<u>3,079</u>
Total	633,799
Federal Share	<u>76.50%</u>
	<u><u>\$ 484,856</u></u>

RLF CARES	
Loan Receivable at 6/30/2021	\$ 604,472
Cash in Bank	15,347
Administrative Expenses	<u>19,960</u>
Total	639,779
Federal Share	<u>100%</u>
	<u><u>\$ 639,779</u></u>

6. WKWB Reconciliation

Kentucky Education and Workforce Development Cabinet	\$ 3,338,418
Increases (Decreases)	
Direct Funding from Workforce Innovation and Opportunity National Dislocated Worker Grants / Workforce Investment Act National Emergency Grant	434,573
Funding from Kentucky Labor Cabinet	
Trade Adjustment Assistance	469,234
Unemployment Insurance	83,724
Funding from Kentucky Administrative Office of the Courts Substance Abuse and Mental Health Services Projects of Regional and National Significance	11,021
Deferred Revenue 06/30/21	<u>-</u>
Workforce Board Expenditures	<u><u>\$ 4,336,970</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
JUNE 30, 2021

7. Subrecipients

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

<u>Subrecipient</u>	<u>Program Title</u>	<u>Amount Provided</u>
Pennyrile Allied Community Services, Inc.	Title III	\$ 1,732,296
	SHIP	28,586
	Title V - Senior Community Service Employment Program	137,630
	USDA	78,389
	Medicare Enrollment Assistance Program	19,157
	Subrecipient Total	<u>\$ 1,996,058</u>
Kentucky Legal Aid	Title III	<u>\$ 16,000</u>
	Subrecipient Total	<u>\$ 16,000</u>
Purchase Area Development District	WIOA Funds	<u>\$ 826,798</u>
	Subrecipient Total	<u>\$ 826,798</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Unrestricted Local Operations	Joint Funding Administration	Local Economic Development	Campbell Strong	Delta Regional Authority	Hazard Mitigation	Broadband Planning
Revenues							
Federal	\$ -	\$ 85,646	\$ -	\$ 224,084	\$ 14,226	\$ 22,505	\$ -
Federal - CARES	-	-	-	-	-	-	-
Federal - COVID 19	-	-	-	-	-	-	-
Federal - CRRSSA	-	-	-	-	-	-	-
Federal - CRF	-	-	-	-	-	-	-
State	-	116,100	-	-	-	-	24,072
Local							
Annual Assessments	98,688	-	-	-	-	-	-
Interest Income	1,264	-	-	-	-	-	-
Local Match	(35,002)	-	-	-	-	-	-
Local Applied to Grants	(19,089)	12,842	-	-	-	-	-
Other Revenues	6,284	-	192,749	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-
Total Revenues	52,145	214,588	192,749	224,084	14,226	22,505	24,072
Expenditures							
Direct Expenditures							
Salaries	-	94,249	47,905	25,778	6,316	10,586	-
Employee Benefits	446,316	54,598	23,515	13,203	3,717	5,028	-
Annual Leave	-	6,575	3,624	2,306	437	557	-
Travel	595	763	296	5,749	24	37	-
Contracted Services	-	-	-	129,446	-	-	24,073
Duplicating	-	616	-	-	186	-	-
Postage	-	335	-	6	93	-	-
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	26,252	5,293	2,080	34,414	71	935	-
In-Kind Expenditures	-	-	-	-	-	-	-
Total Direct Expenditures	473,163	162,429	77,420	210,902	10,844	17,143	24,073
Shared Costs Applied	-	52,159	25,675	13,182	3,382	5,362	-
Total Expenditures	473,163	214,588	103,095	224,084	14,226	22,505	24,073
Excess of Revenues Over (Under)							
Expenditures	\$ (421,018)	\$ -	\$ 89,654	\$ -	\$ -	\$ -	\$ (1)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	Neighborhood Stabilization Program	Pennyrile Housing Corporation	University of KY Radon Project	EDA CARES	Intermediary Relending Program	Revolving Loan Fund	Revolving Loan Fund CARES
Revenues							
Federal	\$ 940	\$ -	\$ 32,871	\$ -	\$ -	\$ -	\$ -
Federal - CARES	-	-	-	153,336	-	-	19,960
Federal - COVID 19	-	-	-	-	-	-	-
Federal - CRRSSA	-	-	-	-	-	-	-
Federal - CRF	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	1,460	-	-	12,057	15,040	1,225
Local Match	-	-	4,394	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	-
Other Revenues	34,860	35,036	-	-	300	300	27,238
In-Kind Revenue	-	-	-	-	-	-	-
Total Revenues	35,800	36,496	37,265	153,336	12,357	15,340	48,423
Expenditures							
Direct Expenditures							
Salaries	-	13,728	14,553	26,728	6,119	1,316	6,445
Employee Benefits	-	8,653	6,163	13,716	3,769	765	3,209
Annual Leave	-	771	1,456	2,093	436	105	558
Travel	-	116	-	-	30	-	-
Contracted Services	35,800	-	7,504	71,273	-	-	33,238
Duplicating	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Interest	-	785	-	-	-	-	-
Other Direct Costs	-	587	206	25,396	1,170	42	476
In-Kind Expenditures	-	-	-	-	-	-	-
Total Direct Expenditures	35,800	24,640	29,882	139,206	11,524	2,228	43,926
Shared Costs Applied	-	7,968	7,383	14,130	3,390	850	3,272
Total Expenditures	35,800	32,608	37,265	153,336	14,914	3,078	47,198
Excess of Revenues Over (Under)							
Expenditures	\$ -	\$ 3,888	\$ -	\$ -	\$ (2,557)	\$ 12,262	\$ 1,225

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	Water Management/ Resources	Regional Transportation	Local Road Updates	Aging			
				Title III B Administration	Title III C1 Administration	Title III C2 Administration	Title III E Administration
Revenues							
Federal	\$ -	\$ -	\$ -	\$ 16,684	\$ 24,078	\$ -	\$ 9,624
Federal - CARES	-	-	-	13,243	-	31,427	4,578
Federal - COVID 19	-	-	-	-	1,359	-	-
Federal - CRRSSA	-	-	-	-	-	3,283	-
Federal - CRF	-	-	-	-	-	-	-
State	71,000	78,254	19,000	7,873	10,522	5,496	3,056
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Local Match	-	8,573	-	2,465	241	6,074	1,678
Local Applied to Grants	2,059	-	1,169	-	-	-	-
Other Revenues	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-
Total Revenues	<u>73,059</u>	<u>86,827</u>	<u>20,169</u>	<u>40,265</u>	<u>36,200</u>	<u>46,280</u>	<u>18,936</u>
Expenditures							
Direct Expenditures							
Salaries	32,539	40,371	9,747	16,294	14,051	18,188	7,630
Employee Benefits	16,241	17,644	4,883	8,812	8,162	10,150	4,670
Annual Leave	1,995	4,001	517	1,300	1,197	1,464	654
Travel	1,062	-	78	192	34	79	10
Contracted Services	-	-	-	-	-	-	-
Duplicating	-	170	-	337	338	338	338
Postage	-	38	-	351	351	351	351
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	4,248	2,335	-	4,394	4,081	5,727	1,008
In-Kind Expenditures	-	-	-	-	-	-	-
Total Direct Expenditures	56,085	64,559	15,225	31,680	28,214	36,297	14,661
Shared Costs Applied	16,974	20,748	4,944	8,585	7,986	9,983	4,275
Total Expenditures	<u>73,059</u>	<u>85,307</u>	<u>20,169</u>	<u>40,265</u>	<u>36,200</u>	<u>46,280</u>	<u>18,936</u>
Excess of Revenues Over (Under)							
Expenditures	<u>\$ -</u>	<u>\$ 1,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	Title III Supportive Services	Title III Congregate Meals	Title III Home Delivered Meals	Aging Title III Disease Prevention	NSIP	Title V Senior Employment	Federal Caregiver Services
Revenues							
Federal	\$ 224,182	\$ 139,465	\$ 236,483	\$ 17,036	\$ 78,389	\$ 147,970	\$ 101,183
Federal - CARES	137,126	-	165,701	-	-	-	59,915
Federal - COVID 19	-	26,389	-	-	-	-	-
Federal - CRRSSA	-	-	113,536	-	-	-	-
Federal - CRF	-	178,231	651,550	-	-	-	-
State	202,222	23,466	428,430	-	-	-	37,478
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	-	437	-
Other Revenues	-	-	-	-	-	-	-
In-Kind Revenue	-	69,871	19,431	10,229	-	16,441	-
Total Revenues	563,530	437,422	1,615,131	27,265	78,389	164,848	198,576
Expenditures							
Direct Expenditures							
Salaries	47,691	-	-	-	-	4,215	32,501
Employee Benefits	29,312	-	-	-	-	2,504	16,498
Annual Leave	3,208	-	-	-	-	342	2,073
Travel	291	-	-	-	-	-	179
Contracted Services	448,530	367,551	1,595,700	17,036	78,389	137,630	114,038
Duplicating	5	-	-	-	-	-	753
Postage	13	-	-	-	-	-	819
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	7,836	-	-	-	-	1,438	14,470
In-Kind Expenditures	-	69,871	19,431	10,229	-	16,441	-
Total Direct Expenditures	536,886	437,422	1,615,131	27,265	78,389	162,570	181,331
Shared Costs Applied	26,644	-	-	-	-	2,278	17,245
Total Expenditures	563,530	437,422	1,615,131	27,265	78,389	164,848	198,576
Excess of Revenues Over (Under)							
Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	Aging						
	Disability Resource Center	MIPPA ADRC	MIPPA AAA	MIPPA SHIP	Participant Directed Services	Functional Assessment Services Team	Mental Health & Aging Coalition
Revenues							
Federal	\$ 46,196	\$ 3,476	\$ 6,902	\$ 19,158	\$ -	\$ 1,000	\$ -
Federal - CARES	-	-	-	-	-	-	-
Federal - COVID 19	-	-	-	-	-	-	-
Federal - CRRSSA	-	-	-	-	-	-	-
Federal - CRF	-	-	-	-	-	-	-
State	20,484	-	-	-	2,603,827	-	3,396
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	10	-	-
Local Match	-	-	-	-	831	-	-
Local Applied to Grants	-	110	-	-	-	77	-
Other Revenues	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	5,095	-	-	-
Total Revenues	66,680	3,586	6,902	24,253	2,604,668	1,077	3,396
Expenditures							
Direct Expenditures							
Salaries	25,878	1,474	3,086	-	221,762	195	-
Employee Benefits	18,069	1,084	1,833	-	123,637	299	-
Annual Leave	1,644	93	209	-	12,115	(213)	-
Travel	-	-	-	-	(164)	-	-
Contracted Services	-	-	-	19,158	2,012,417	-	-
Duplicating	24	19	19	-	2,788	-	244
Postage	65	-	7	-	4,389	-	351
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	563	-	-
Other Direct Costs	5,417	-	-	-	26,259	645	2,801
In-Kind Expenditures	-	-	-	5,095	-	-	-
Total Direct Expenditures	51,097	2,670	5,154	24,253	2,403,766	926	3,396
Shared Costs Applied	15,583	916	1,748	-	120,649	151	-
Total Expenditures	66,680	3,586	6,902	24,253	2,524,415	1,077	3,396
Excess of Revenues Over (Under)							
Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 80,253	\$ -	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	Aging						University of Louisville
	State Long-Term Care Ombudsman	Title III B Ombudsman	Elder Abuse	SHIP	Title VII Ombudsman	Homecare Services	
Revenues							
Federal	\$ -	\$ 12,116	\$ 2,826	\$ 30,091	\$ 5,573	\$ -	\$ -
Federal - CARES	-	-	-	-	14,668	-	-
Federal - COVID 19	-	-	-	-	-	-	-
Federal - CRRSSA	-	-	-	-	-	-	-
Federal - CRF	-	-	-	-	-	-	-
State	61,931	2,965	-	-	-	623,740	-
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Local Match	-	-	499	-	1,257	9,819	1,000
Local Applied to Grants	-	-	-	420	238	1,736	-
Other Revenues	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	300	-	56,695	-
Total Revenues	61,931	15,081	3,325	30,811	21,736	691,990	1,000
Expenditures							
Direct Expenditures:							
Salaries	27,035	5,277	1,163	877	6,153	57,101	421
Employee Benefits	15,035	2,864	632	499	3,340	34,572	221
Annual Leave	1,795	333	73	74	388	4,145	24
Travel	774	72	16	-	85	251	-
Contracted Services	-	-	-	28,586	-	491,961	-
Duplicating	761	114	25	-	133	905	-
Postage	237	46	10	-	53	949	-
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	1,582	3,533	779	43	8,270	12,861	-
In-Kind Expenditures	-	-	-	300	-	56,695	-
Total Direct Expenditures	47,219	12,239	2,698	30,379	18,422	659,440	666
Shared Costs Applied	14,712	2,842	627	432	3,314	32,550	270
Total Expenditures	61,931	15,081	3,325	30,811	21,736	691,990	936
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

	PCHP	Veterans Directed Services	Pennyrile Dev. & Gov't Center	Computer Services	West Kentucky Workforce Board	Shared Cost Allocation	Total
Revenues							
Federal	\$ -	\$ -	\$ -	\$ -	\$ 4,336,970	\$ -	\$ 5,839,674
Federal - CARES	-	-	-	-	-	-	599,954
Federal - COVID 19	-	-	-	-	-	-	27,748
Federal - CRRSSA	-	-	-	-	-	-	116,819
Federal - CRF	-	-	-	-	-	-	829,781
State	-	-	-	-	-	-	4,343,312
Local							
Annual Assessments	-	-	-	-	-	-	98,688
Interest Income	-	111	45	-	-	-	31,212
Local Match	-	-	-	-	-	-	1,829
Local Applied to Grants	-	-	-	-	-	-	(1)
Other Revenues	2,808	2,666,298	51,507	2,340	-	-	3,019,720
In-Kind Revenue	-	-	-	-	-	-	178,062
Total Revenues	2,808	2,666,409	51,552	2,340	4,336,970	-	15,086,798
Expenditures							
Direct Expenditures							
Salaries	1,602	85,019	-	-	538,482	287,119	1,739,594
Employee Benefits	879	47,067	-	-	261,000	158,915	1,371,474
Annual Leave	104	5,019	-	-	46,648	21,729	129,849
Travel	-	(164)	-	-	5,340	5,197	20,942
Contracted Services	-	2,294,187	-	-	2,973,682	-	10,880,199
Duplicating	-	160	-	-	3,647	2,088	14,008
Postage	-	1,314	-	9	672	3,086	13,896
Depreciation	-	-	26,176	-	-	38,155	64,331
Interest	-	-	21,129	-	-	-	22,477
Other Direct Costs	-	7,465	4,202	69	233,480	253,534	703,399
In-Kind Expenditures	-	-	-	-	-	-	178,062
Total Direct Expenditures	2,585	2,440,067	51,507	78	4,062,951	769,823	15,138,231
Shared Costs Applied	817	44,781	-	-	274,019	(769,826)	-
Total Expenditures	3,402	2,484,848	51,507	78	4,336,970	(3)	15,138,231
Excess of Revenues Over (Under)							
Expenditures	\$ (594)	\$ 181,561	\$ 45	\$ 2,262	\$ -	\$ 3	\$ (51,433)



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Pennyryle Area Development District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pennyryle Area Development District's basic financial statements and have issued our report thereon dated January 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pennyryle 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 Pennyryle Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennyryle 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pennyryle 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

To the Board of Directors
Pennyrile Area Development District
January 3, 2022
Page 2 of 2

the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Calhoun & Company

Hopkinsville, Kentucky
January 3, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Pennyryle Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pennyryle Area Development District's major federal programs for the year ended June 30, 2021. Pennyryle 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units and each major fund of Pennyrile Area Development District as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Pennyrile Area Development District's basic financial statements. We issued our report thereon dated January 3, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is 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 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

To the Board of Directors
Pennyrile Area Development District
January 3, 2022
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with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Calhoun & Company

Hopkinsville, Kentucky
January 3, 2022

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s Report Issued	Unmodified
Internal Control Over Financial Report:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified That are not Considered to be Material Weaknesses?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified That are not Considered to be Material Weaknesses?	None Reported
Type of Auditor’s Report Issued on Compliance for Major Programs:	Unmodified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 2 CFR 200.516(a)?	None Reported
Identification of Major Programs:	
CFDA #17.277 – WIOA National Dislocated Worker Grants	
Economic Development Cluster	
CFDA #11.307 – Economic Adjustment Assistance / Revolving Loan Fund	
WIOA Cluster	
CFDA #17.258 – WIOA Adult Program	
CFDA #17.259 – WIOA Youth Activities	
CFDA #17.278 – WIOA Dislocated Worker Formula Grants	
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

No Matters Were Reported.

Section III – Federal Award Findings and Questioned Costs

No Matters Were Reported.