



# **Purchase Area Development District**

## **Financial Statements**

**June 30, 2022**



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## FINANCIAL STATEMENTS

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# REPORT





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## **Independent Auditors' Report**

Board of Directors  
Purchase Area Development District  
Mayfield, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

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

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

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison and select pension/OPEB information on pages 51 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, statement of specific grant activity, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, statement of specific grant activity and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023 on our consideration of Purchase 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 Purchase Area Development District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
January 30, 2023



# FINANCIAL STATEMENTS



Purchase Area Development District  
Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 5,456,011	\$ 1,739,917	\$ 7,195,928
Investments	3,725,000	-	3,725,000
Grants receivable	1,542,605	-	1,542,605
Accounts receivable	52,469	3,474	55,943
Loans, net	4,101,463	-	4,101,463
Inventory	126,516	-	126,516
Prepaid items	2,746	24,774	27,520
Nondepreciable capital assets	-	8,652	8,652
Depreciable capital assets	57,148	3,461,399	3,518,547
Less: accumulated depreciation	-	(2,611,363)	(2,611,363)
<b>Total assets</b>	<b>15,063,958</b>	<b>2,626,853</b>	<b>17,690,811</b>
<b>Deferred Outflows of Resources</b>			
OPEB related	852,908	-	852,908
Pension related	968,371	-	968,371
<b>Total deferred outflows of resources</b>	<b>1,821,279</b>	<b>-</b>	<b>1,821,279</b>
<b>Liabilities</b>			
Accounts payable	1,350,273	4,268	1,354,541
Accrued liabilities	82,940	-	82,940
Unearned revenue	1,842,458	-	1,842,458
Long-term obligations:			
Due within one year:			
Notes payable	134,854	-	134,854
Compensated absences	32,271	-	32,271
Due beyond one year:			
Notes payable	937,660	-	937,660
Compensated absences	96,812	-	96,812
Net OPEB liability	1,412,424	-	1,412,424
Net pension liability	4,704,946	-	4,704,946
<b>Total liabilities</b>	<b>10,594,638</b>	<b>4,268</b>	<b>10,598,906</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	865,122	-	865,122
Pension related	927,678	-	927,678
<b>Total deferred inflows of resources</b>	<b>1,792,800</b>	<b>-</b>	<b>1,792,800</b>
<b>Net Position</b>			
Net investment in capital assets	57,148	858,688	915,836
Restricted			
Grant programs	8,511,116	-	8,511,116
Unrestricted (deficit)	(4,070,465)	1,763,897	(2,306,568)
<b>Total net position</b>	<b>\$ 4,497,799</b>	<b>\$ 2,622,585</b>	<b>\$ 7,120,384</b>

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Activities

Year Ended June 30, 2022		Program Revenues				Net (Expense) Revenue and Changes in Net Position								
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total						
Governmental activities														
General Government	\$	44,510	\$	42,888	\$	118,873	\$	-	\$	117,251	\$	-	\$	117,251
Lending		411,441		-		1,302,638		-		891,197		-		891,197
Aging and Independent Living		2,858,924		-		2,904,780		-		45,856		-		45,856
Nutritional Services		2,717,184		-		2,542,675		-		(174,509)		-		(174,509)
Housing		20,216		-		-		-		(20,216)		-		(20,216)
Physical Planning		279,994		-		303,845		-		23,851		-		23,851
Economic Development		482,794		-		465,729		-		(17,065)		-		(17,065)
PDS		5,841,322		-		5,539,995		-		(301,327)		-		(301,327)
Workforce Development		937,500		-		909,851		-		(27,649)		-		(27,649)
Other Community Services		20,866		-		20,866		-		-		-		-
Total governmental activities		13,614,751		42,888		14,109,252		-		537,389		-		537,389

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Activities

Year Ended June 30, 2022	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Business-type activities</b>							
JPLOO	286,041	181,484	-	-	-	(104,557)	(104,557)
Total business-type activities	286,041	181,484	-	-	-	(104,557)	(104,557)
Total government	\$ 13,900,792	\$ 224,372	\$ 14,109,252	\$ -	\$ 537,389	\$ (104,557)	\$ 432,832
<b>General Revenues</b>							
Investment income					117,062	5,980	123,042
Other					-	8,868	8,868
Extraordinary item - net gain on impairment of warehouse building					-	1,195,481	1,195,481
Total general revenues					117,062	1,210,329	1,327,391
Change in net position					654,451	1,105,772	1,760,223
Net position - beginning of year, as previously reported					4,046,281	1,468,146	5,514,427
Prior period adjustments					(202,933)	48,667	(154,266)
Net position - beginning of year, as restated					3,843,348	1,516,813	5,360,161
Net position - end of year					\$ 4,497,799	\$ 2,622,585	\$ 7,120,384

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Balance Sheet  
Governmental Funds

<i>June 30, 2022</i>	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 2,944,790	\$ 2,511,221	\$ 5,456,011
Investments	3,250,000	475,000	3,725,000
Due from other funds	283,008	4,163,053	4,446,061
Grants receivable	-	1,542,605	1,542,605
Accounts receivable	52,469	-	52,469
Loans, net	-	4,101,463	4,101,463
Inventory	-	126,516	126,516
Prepaid expenses	1,371	1,375	2,746
<b>Total assets</b>	<b>\$ 6,531,638</b>	<b>\$ 12,921,233</b>	<b>\$ 19,452,871</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ 4,163,053	\$ 283,008	\$ 4,446,061
Accounts payable	267,780	1,082,493	1,350,273
Accrued liabilities	50,286	32,654	82,940
Unearned revenue	54,589	1,787,869	1,842,458
<b>Total liabilities</b>	<b>4,535,708</b>	<b>3,186,024</b>	<b>7,721,732</b>
<b>Fund Balances</b>			
Non-spendable	1,371	4,229,354	4,230,725
Restricted	-	4,281,762	4,281,762
Assigned	-	1,224,093	1,224,093
Unassigned	1,994,559	-	1,994,559
<b>Total fund balances</b>	<b>1,995,930</b>	<b>9,735,209</b>	<b>11,731,139</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,531,638</b>	<b>\$ 12,921,233</b>	<b>\$ 19,452,871</b>

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position

<u>June 30,</u>	<u>2022</u>
Total fund balances - governmental funds	\$ 11,731,139
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$57,148 and the accumulated depreciation is \$0.	57,148
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.	40,693
Deferred outflows and inflows of resources related to OPEB expense are applicable to future periods, therefore, are not reported in the fund statements.	(12,214)
Long-term liabilities, including net pension and net OPEB liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Notes payable	(1,072,514)
Compensated absences	(129,083)
Net OPEB liability	(1,412,424)
Net pension liability	(4,704,946)
Total net position - governmental activities	<u>\$ 4,497,799</u>

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

<i>Year Ended June 30, 2022</i>	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ -	\$ 13,618,573	\$ 13,618,573
Local revenue	51,330	340,080	391,410
Investment income	2,164	114,898	117,062
Other income	42,888	31,726	74,614
<b>Total revenues</b>	<b>96,382</b>	<b>14,105,277</b>	<b>14,201,659</b>
<b>Expenditures</b>			
General government	39,084	-	39,084
Lending	-	411,441	411,441
Aging and independent living	-	2,858,924	2,858,924
Nutritional services	-	2,774,332	2,774,332
Housing	14,326	-	14,326
Physical planning	-	279,994	279,994
Economic development	-	482,794	482,794
Participant directed services (PDS)	-	5,841,322	5,841,322
Workforce development	-	937,500	937,500
Other community services	-	20,866	20,866
Debt service	-	137,514	137,514
<b>Total expenditures</b>	<b>53,410</b>	<b>13,744,687</b>	<b>13,798,097</b>
<b>Excess of revenues over expenditures</b>	<b>42,972</b>	<b>360,590</b>	<b>403,562</b>
<b>Other Financing Sources (Uses)</b>			
Note payable proceeds	-	113,000	113,000
Operating transfers in	-	45,238	45,238
Operating transfers out	(45,238)	-	(45,238)
<b>Total other financing sources (uses)</b>	<b>(45,238)</b>	<b>158,238</b>	<b>113,000</b>
<b>Net change in fund balance</b>	<b>(2,266)</b>	<b>518,828</b>	<b>516,562</b>
Fund balances - beginning of year, as previously reported	2,086,291	6,473,148	8,559,439
Prior period adjustments	(88,095)	2,743,233	2,655,138
Fund balances - beginning of year, as restated	1,998,196	9,216,381	11,214,577
<b>Fund balances - end of year</b>	<b>\$ 1,995,930</b>	<b>\$ 9,735,209</b>	<b>\$ 11,731,139</b>

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in  
Fund Balances to the Statement of Activities

<u>Year Ended June 30,</u>	<u>2022</u>
Total net change in fund balances - governmental funds	\$ 516,562
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$57,148) exceed depreciation expense (\$0) in the period.	57,148
The receipt of note payable proceeds are shown as an other financing source in the governmental funds, but the note payable proceeds, increase long-term liabilities in the statement of net position.	(113,000)
Government funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	90,677
Repayments of note principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.	131,624
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(5,426)
Government funds report District OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense	(23,134)
Change in net position - governmental activities	\$ 654,451

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Net Position  
Proprietary Fund

<i>June 30, 2022</i>	<b>Jackson Purchase Local Officials Organization</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash	\$ 1,739,917
Accounts receivable	3,474
Prepaid expenses	24,774
Total current assets	1,768,165
<b>Noncurrent assets</b>	
Fixed assets - net	858,688
Total noncurrent assets	858,688
Total assets	\$ 2,626,853
<b>Liabilities and Net Position</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 4,268
Total liabilities	4,268
<b>Net Position</b>	
Net investment in capital assets	858,688
Unrestricted	1,763,897
Total liabilities and net position	\$ 2,622,585

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Revenues, Expenditures and Changes in Fund Net Position  
Proprietary Fund

<i>Year Ended June 30, 2022</i>	<b>Jackson Purchase Local Officials Organization</b>
<b>Operating Revenues</b>	
Rental income - real estate	\$ 120,015
Lease income - personal property	51,629
Utilities income	9,840
Other income	8,868
Total operating revenues	190,352
<b>Operating Expenses</b>	
Equipment maintenance	12,522
Building maintenance	19,959
Property maintenance	7,968
Utilities	12,489
Vehicles	19,272
Insurance	19,667
Depreciation	171,672
Other	22,492
Total operating expenses	286,041
Operating loss	(95,689)
<b>Non-Operating Revenues (Expense)</b>	
Interest revenue	5,980
Total non-operating revenues	5,980
<i>Extraordinary item</i> - net gain on impairment of warehouse building	1,195,481
Change in net position	1,105,772
Net position - beginning of year, as previously reported	1,468,146
Prior period adjustment	48,667
Net position - beginning of year, as restated	1,516,813
Net position - end of year	\$ 2,622,585

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Cash Flows  
Proprietary Fund

<i>Year Ended June 30, 2022</i>	<b>Jackson Purchase Local Officials Organization</b>
<b>Operating Activities</b>	
Cash received from rental charges	\$ 199,615
Cash payments for other operating expenses	(156,098)
Net cash provided by operating activities	43,517
<b>Capital and Related Financing Activities</b>	
Acquisition of capital assets	(67,554)
Proceeds from insurance on impairment of warehouse building	1,227,135
Net cash used in capital and related financing activities	1,159,581
<b>Cash Flows from Investing Activities</b>	
Investment income and other	5,980
Net cash provided by investing activities	5,980
Net increase in cash	1,209,078
Cash - beginning of year	530,839
Cash - end of year	\$ 1,739,917

*The accompanying notes are an integral part of these financial statements.*

Purchase Area Development District  
Statement of Cash Flows  
Proprietary Fund

<i>Year Ended June 30, 2022</i>	<b>Jackson Purchase Local Officials Organization</b>
<b>Reconciliation of Operating Loss to Net Cash (Used in) Provided by Operating Activities:</b>	
Operating loss	\$ (95,689)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	171,672
Changes in assets and liabilities:	
Accounts receivable	9,263
Prepaid expenses	(22,122)
Accounts payable	(19,607)
<b>Net cash provided by operating activities</b>	<b>\$ 43,517</b>

*The accompanying notes are an integral part of these financial statements.*

**NOTE 1: NATURE OF OPERATIONS AND REPORTING ENTITY**

***Reporting Entity***

The Purchase Area Development District (the "District") supports economic development, gives technical assistance and helps in administering services and programs in the designated eight county Jackson Purchase Area of Kentucky. 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 has entered into various agreements, memoranda of agreements and contracts, all of which are subject to the financial management policies of the District.

The District receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since members of the District's Board of Directors are elected officials, or are appointed by elected officials, and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

***Blended Component Unit***

Jackson Purchase Local Officials Organization ("JPLOO")—Although it is legally separated from the District, JPLOO is reported as if it were part of the primary government because the board of governance is substantially the same and the entities share common management. JPLOO is included as an enterprise fund on the District's financial statements.

Purchase Area Development District  
Notes to Financial Statements

**NOTE 2: RESTATEMENT**

The District has determined that certain transactions were recorded incorrectly in a prior year.

**Governmental and Business-Type Activities:** In the government-wide financial statements, the beginning balance of net position has been restated to reflect prior year adjustments for receivables, inventory, capital assets, accounts payable and notes payable. The following adjustments were made to the beginning net position:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning of year, as previously reported	\$ 4,046,281	\$ 1,468,146	\$ 5,514,427
Effects of prior period adjustments:			
Correcting accounts receivable balance	(206,653)	-	(206,653)
Unrecorded inventory balance	200,531	-	200,531
Unrecorded capital assets	-	48,667	48,667
Correcting accounts payable balance	(138,811)	-	(138,811)
Correcting notes payable balance	(58,000)	-	(58,000)
Net position - beginning of year, as restated	\$ 3,843,348	\$ 1,516,813	\$ 5,360,161

**Fund Financial Statements:** In the fund financial statements, the beginning balances of the general and special revenue funds have been restated to reflect prior year adjustments for loans, inventory, due to/due from accounts, accounts payable and other fund classifications. The following adjustments were made to beginning fund balances:

	General Fund	Special Revenue Funds	Total
Fund balances - beginning of year, as previously reported	\$ 2,086,291	\$ 6,473,148	\$ 8,559,439
Effects of prior period adjustments:			
Unrecorded loans, net balance	-	2,800,071	2,800,071
Unrecorded inventory balance	-	200,531	200,531
Correcting due to/due from balance	(206,653)	-	(206,653)
Correcting accounts payable balance	-	(138,811)	(138,811)
Correcting governmental fund types	118,558	(118,558)	-
Fund balances - beginning of year - as restated	\$ 1,998,196	\$ 9,216,381	\$ 11,214,577

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the duplicate recording of internal activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged by the District.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds. Separate statements for each fund category (governmental and proprietary) are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances.

Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District has the following funds:

**Governmental Fund Types**

*General Fund*

The General Fund accounts for financial resources in use for general types of operations and all unassigned fund balances are considered as resources available for use. The general fund is a major fund.

*Special Revenue*

Lending, Aging and Independent Living, Nutritional services, Housing, Physical Planning, Participant Directed Services (PDS), Workforce Development, and Other Community and Economic Development programs account for the activities of the special revenue fund that are non-spendable, restricted, committed or assigned to expenditures in accordance with restrictions established by the various grantors (primarily the United States Government and the Commonwealth of Kentucky). The separate projects of federally funded grant programs are identified in the accompanying schedule of expenditures of federal awards. The special revenue fund is a major fund.

**Proprietary Fund Type**

*Enterprise Fund*

The Jackson Purchase Local Officials Organization ("JPLOO") is a blended component unit being reported as an enterprise fund on the District's financial statements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of JPLOO is rental and lease revenue from the District. Operating expenses for enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets.

Governmental funds are used to account for the government's general activities. Governmental fund types use the flow of current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The administration of all accounts follows an annual cost allocation plan, prepared under guidelines of the Department for Local Government and Federal grant regulations. The purchase of supplies and services complies with the Kentucky procurement laws. In-kind contributions included in the accompanying financial statements consist of donated facilities or services and are valued at fair market value as of the date of the donation.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

***Investments***

Investments are non-brokered certificates of deposit (CDs) reported at cost. The CDs are nonparticipating interest-earning investment contracts which are not negotiable and has redemption terms that do not consider market rates.

***Inventory***

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary fund, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

The District warehouses food commodities as part of the Emergency Food Assistance Program and the Commodity Supplemental Food Program. Amounts reported at June 30, 2022 represent the dollar values of commodities on hand at year end based upon the U.S. Department of Agriculture (USDA) pricing values per unit.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Loans***

The District grants commercial loans to eligible borrowers, through the Revolving Loan Fund (RLF) Program, Rural Business Enterprise Grant RLF (RBEG-RLF) program, Intermediary Relending Program (IRP), and SBA Microloan programs. The ability of the District's debtors to honor their contracts is dependent upon the borrower's cash flows from their operations and general economic conditions in this District's area. The loans are both secured and unsecured.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Loans are charged-off at an earlier date if collection of principal or interest is considered doubtful.

***Accounts and Grants Receivable***

Accounts and grants receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and grants receivables.

***Allowance for Loan Losses***

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental activities column of the statement of net position, except for the net residual amounts due between governmental and business type activities, which are presented as internal balances.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

***Capital Assets***

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

All capital assets are capitalized at cost. The District does not possess any infrastructure assets.

All reported capital assets are depreciated, except for land. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Computer equipment	4 - 10 years
Vehicles	4 years
Audio-visual equipment	7 - 15 years
Furniture and fixtures	7 - 15 years
Building and improvements	7 - 35 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows and Outflows of Resources – Pension Related***

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

***Deferred Inflows and Outflows of Resources – OPEB Related***

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/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 CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 11 provides further detail on the net pension liability.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value. Note 12 provides further detail on the net OPEB liability.

***Post-Employment Health Care Benefits***

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS plan.

***Unearned Revenue***

Monies received from federal, state and local grants that are in excess of allowable expenditures are recorded as unearned revenue and will be returned to the grantor upon their request, unless allowable expenditures are incurred which satisfies the grantor compliance requirements.

***Compensated Absences***

Compensated absences are absences for which employees will be paid for vacation. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the District and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Notes are recognized as a liability in the fund financial statements when due.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

The District classifies its net position into the following three categories:

*Net investment in capital assets* - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

*Restricted* - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations that required the use of resources for specific purposes. See Note 10 for further detail on fund balance policies.

***Interfund Transactions***

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues — Exchange and Non-Exchange Transactions***

Revenue resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year in which the resources are designated for use (or the fiscal year when use is first permitted), matching requirements, in which the District must provide local resources to be used for a specified purpose, performance based, requiring the completion of certain tasks or required outcomes, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

***Income Taxes***

The District is a political subdivision and is exempt from income taxes. The District's component unit qualifies for exemption from federal income taxes under KRS 61.420(5).

***Estimates***

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

***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through January 30, 2023, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Issued and Adopted Accounting Pronouncements***

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 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Issued and Adopted Accounting Pronouncements (Continued)***

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

***Recent Accounting Pronouncements***

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The District is evaluating the requirements of this Statement.

**NOTE 4: CASH AND INVESTMENTS**

***Deposits***

At June 30, 2022, the carrying amounts of the District's deposits in the governmental funds, which include investments, were \$9,181,011 and the bank balances were \$9,492,099, of which \$9,040,895 was covered by federal depository insurance or by collateral held by the bank's agent in the District's name and \$451,204 was uninsured and uncollateralized.

**NOTE 4: CASH AND INVESTMENTS (CONTINUED)**

The District's component unit, JPLOO, is a Kentucky non-profit entity. As such, JPLOO is not subject to the Kentucky Revised Statutes for pledging of collateral from financial institutions holding cash deposits. At June 30, 2022, JPLOO's carrying amounts of deposits was \$1,739,917 and the bank balances were \$1,770,319 of which \$250,000 was covered by FDIC insurance and \$1,520,319 was exposed to custodial credit risk.

Deposits had the following balances at June 30, 2022:

<i>June 30,</i>		<b>2022</b>
Governmental funds	\$	9,181,011
Proprietary fund		1,739,917
Total	\$	10,920,928

The District's investments consist of non-brokered certificates of deposit, which are reported at cost.

► *Custodial Credit Risk Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Kentucky; bonds of any city, county, school district or special road district of the State of Kentucky; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of June 30, 2022, the District's deposits was exposed to \$1,971,523 of custodial credit risk.

► *Interest Rate Risk*

The District's investment policy does not address any limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

► *Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District's investment policy includes no other investment requirements that would further limit its investment choices.

Purchase Area Development District  
Notes to Financial Statements

**NOTE 5: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2022 consist of the following:

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	General Fund	4,163,053
General Fund	Special Revenue Fund	283,008

The interfund activity relates to the temporary cash needs among the funds.

**NOTE 6: LOANS**

At June 30, 2022, the District has outstanding loans made to local businesses that are funded through federal, state and local loan programs. Amounts are recorded in the financial statements in the Revolving Loan Fund (RLF) program, Intermediary Relending Program, and SBA Microloans programs. At June 30, 2022, the District had outstanding loans, net of:

<i>June 30,</i>	<b>2022</b>
Revolving Loan Fund (RLF)	\$ 3,914,457
Intermediary Relending Programs (IRP)	763,741
SBA Microloan Programs	165,702
Total	4,843,900
Allowance for loan losses	(742,437)
Loans, net	\$ 4,101,463

An analysis of allowance for loan losses as of June 30, 2022 follows:

<i>June 30,</i>	<b>2022</b>
Balance - beginning of year	\$ 561,177
Provision for loan losses	181,260
Charge offs	-
Balance - end of year	\$ 742,437

Purchase Area Development District  
Notes to Financial Statements

**NOTE 7: CAPITAL ASSETS**

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

<i>June 30, 2022</i>	<b>Capital Cost</b>			
	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital assets that are depreciated:				
Office furniture and equipment	\$ -	\$ 57,148	\$ -	\$ 57,148
Total depreciable historical cost	-	57,148	-	57,148
Governmental activities, capital assets, net	\$ -	\$ 57,148	\$ -	\$ 57,148
<b>Business-Type Activities</b>				
Non-depreciable capital assets:				
Land	\$ 8,652	\$ -	\$ -	\$ 8,652
Total nondepreciable historical cost	8,652	-	-	8,652
Capital assets that are depreciated:				
Office building	2,400,847	19,935	(179,343)	2,241,439
Office furniture and equipment	1,021,231	47,619	-	1,068,850
Vehicles	151,110	-	-	151,110
Total depreciable historical cost	3,573,188	67,554	(179,343)	3,461,399
Less accumulated depreciation for:				
Office building	1,636,717	89,096	(147,689)	1,578,124
Office furniture and equipment	832,754	67,948	-	900,702
Vehicles	117,909	14,628	-	132,537
Total accumulated depreciation	2,587,380	171,672	(147,689)	2,611,363
Business-type activities, capital assets, net	\$ 994,460	\$ (104,118)	\$ (31,654)	\$ 858,688

**NOTE 8: RELATED PARTY LEASE AGREEMENTS**

The District has a rental agreement with JPLOO, where the District leases office space. The lease calls for monthly payments calculated upon a square footage basis. The amount of the lease per square foot is determined based upon the prior year depreciation, building and property maintenance, and insurance divided by the square footage under lease.

The District leased warehouse space from JPLOO for annual amounts of \$24,000.

Purchase Area Development District  
Notes to Financial Statements

**NOTE 8: RELATED PARTY LEASE AGREEMENTS (CONTINUED)**

Additionally, vehicles are leased based upon mileage and various furniture and equipment is leased at monthly rate with JPLOO.

Related party (JPLOO) lease agreement activity for year ended June 30, 2022 is as follows:

<i>June 30,</i>	<b>2022</b>
Real property	\$ 120,015
Personal property	51,629
Total	<u>\$ 171,644</u>

**NOTE 9: NOTES PAYABLE AND LONG-TERM OBLIGATIONS**

Notes payable at June 30, 2022 consist of the following:

<i>June 30,</i>	<b>2022</b>
Intermediary Relending Program III	\$ 298,463
Intermediary Relending Program V	444,478
SBA Microloan Programs	132,517
KHC Production Loan Program	197,056
Total notes payable	<u>\$ 1,072,514</u>

In 2002, the Intermediary Relending Program III (IRP III) was established which allows the District to borrow up to \$750,000 at a fixed rate of 1.00% per year. Interest only was paid annually for the first three years. Principal and interest will then be paid in annual installments with the balance due and payable at January 30, 2032. The proceeds received by the District are loaned to qualified borrowers at a rate established by the District.

In 2015, the Intermediary Relending Program V (IRP V) was established which allows the District to borrow up to \$500,000 at a fixed rate of 1.00% per year. Interest only was paid annually for the first three years. Principal and interest will then be paid in annual installments with the balance due and payable at September 23, 2045. The proceeds received by the District are loaned to qualified borrowers at a rate established by the District.

In 2013, the SBA Microloan III program was established which allowed the District to borrow \$500,000 at a rate of 1.375% per annum, depending upon the size of the loans made. Interest will accrue during the first year and current principal and interest will be paid in annual installments with the balance due and payable at September 30, 2023.

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**NOTE 9: NOTES PAYABLE AND LONG-TERM OBLIGATIONS (CONTINUED)**

In 2022, the SBA Microloan IV program was established which allowed the District to borrow up to \$200,000 at a rate of .75%. No interest is being charged until the payments begin on February 7, 2023. Current principal and interest will be paid in annual installments with the balance due and payable at January 24, 2032.

Since 1997, the Kentucky Housing Corporation has made funds available from its Housing Production Loan Program to be utilized in the Revolving Rehabilitation Loan Program. Principal is repaid annually over a ten to twenty year period. Interest of 1.00% on the unpaid principal balance is paid quarterly.

Changes in notes payable and long-term obligations are as follows:

<i>June 30, 2022</i>	<b>Restated Balance July 1, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2022</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Notes payable:					
Notes payable	\$ 1,091,138	\$ 113,000	\$ (131,624)	\$ 1,072,514	\$ 134,854
Total notes payable	1,091,138	113,000	(131,624)	1,072,514	134,854
Other liabilities:					
Compensated absences	123,657	131,011	(125,585)	129,083	32,271
Total other liabilities	123,657	131,011	(125,585)	129,083	32,271
Total long-term liabilities	\$ 1,214,795	\$ 244,011	\$ (257,209)	\$ 1,201,597	\$ 167,125

Maturities of notes payable subsequent to June 30, 2022, are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 134,854	\$ 11,128	\$ 145,982
2024	113,131	9,452	122,583
2025	75,364	8,149	83,513
2026	75,860	7,405	83,265
2027	66,852	6,657	73,509
2028-2032	317,452	23,520	340,972
2033-2037	114,631	11,976	126,607
2038-2042	99,374	6,751	106,125
2043-2047	74,996	1,763	76,759
	<u>\$ 1,072,514</u>	<u>\$ 86,801</u>	<u>\$ 1,159,315</u>

**NOTE 10: FUND BALANCES**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

*Non-spendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventory, prepaid amounts and loan amounts) or are legally or contractually required to be maintained intact. At June 30, 2022, the District's general fund had \$1,371 and the special revenue funds had \$1,375 of prepaid amounts, \$126,516 of inventory and net loans of \$4,101,463. Total non-spendable fund balance was \$4,230,725.

*Restricted fund balances* arise when constraints placed on use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. At June 30, 2022, the District's special revenue funds had \$4,281,762 restricted for grant programs.

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, which for the District is the Board of Directors. The Board of Directors must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had no commitments at June 30, 2022.

*Assigned fund balances* are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. At June 30, 2022, the District's special revenue funds had \$1,149,633 in the PDS fund assigned for future PDS expenditures and the Other Community and Economic Development funds had assigned fund balances of \$74,460 for future program expenditures. Total assigned fund balance in the special revenue funds was \$1,224,093 at June 30, 2022.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds.

**NOTE 11: RETIREMENT PLANS**

The District has a contributory pension plan covering substantially all employees. This plan is a defined contribution 401(k) plan with no requirements for unfunded past or prior service costs. The amount of vested benefits does not exceed the amount of fund assets.

Participating employees are required to pay at least 1.00% of their compensation to the pension plan. With additional incentive contributions, the District contributes up to 5.00% of employees' compensation to the plan. Employees have the opportunity to make additional voluntary contributions.

The District's contributions to the plan for the year ended June 30, 2022 were \$42,804.

**General Information About the CERS Pension Plan**

**Plan Description**

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time and regular part-time salaried members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits Provided**

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan 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.

*Tier 1* - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

*Tier 2* - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420).

**NOTE 11: RETIREMENT PLANS (CONTINUED)**

**Benefits Provided (*Continued*)**

These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

*Tier 3* - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage to the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**Contributions**

Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2022 participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2022 was 21.17%.

**NOTE 11: RETIREMENT PLANS (CONTINUED)**

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

At June 30, 2022, the District reported a liability of \$4,704,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2021 contributions to the pension plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .073794%.

For the year ended June 30, 2022, the District recognized pension expense of \$353,408. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 54,027	\$ 45,665
Net difference between projected and actual earnings on pension plan investments	182,521	809,611
Change of assumptions	63,146	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	217,382	72,402
District contributions subsequent to the measurement date	451,295	-
<b>Total</b>	<b>\$ 968,371</b>	<b>\$ 927,678</b>

\$451,295 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE 11: RETIREMENT PLANS (CONTINUED)**

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

<i>Year ended June 30,</i>	
2022	\$ (33,232)
2023	(47,315)
2024	(133,683)
2025	(196,372)
2026	-
Thereafter	-

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%

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 table used for non-disabled 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 2019. 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.

**NOTE 11: RETIREMENT PLANS (CONTINUED)**

**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 rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		2.30%

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% 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) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

**NOTE 11: RETIREMENT PLANS (CONTINUED)**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
District's proportionate share of the net pension liability	\$ 6,034,317	\$ 4,704,946	\$ 3,604,923

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the County Employees Retirement System's (CERS) OPEB Plan**

**Plan Description**

The District's employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the KRS Insurance Fund. The KRS Insurance Fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits Provided**

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**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. For the year ended June 30, 2022, the required contribution was 5.78% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2022, were \$122,872. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

**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.

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

At June 30, 2022, the District reported a liability of \$1,412,424 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on the District's share of 2021 contributions to the OPEB plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.073777%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$144,873.

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**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (*Continued*)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 222,104	\$ 421,703
Net difference between projected and actual investment earnings on OPEB plan investments	71,162	292,116
Change of assumptions	374,460	1,313
Changes in proportion and differences between employer contributions and proportionate share of contribution	62,310	149,990
District contributions subsequent to the measurement date	<u>122,872</u>	<u>-</u>
Total	<u><u>\$ 852,908</u></u>	<u><u>\$ 865,122</u></u>

For the year ended June 30, 2022, \$122,872 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30,</b>	
2022	\$ (2,199)
2023	(35,674)
2024	(22,302)
2025	(74,911)
2026	-
Thereafter	-

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2020, which were used to determine the total OPEB liability as follows:

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

**Long-Term 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 rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Long-Term Expected Rate of Return (*continued*)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		2.30%

**Discount Rate**

Single discount rates of 5.20% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. 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 is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Discount Rate (continued)**

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. This includes the phase-in provisions from House Bill 362 (passed during the 2018 legislative session) which limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2022, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<b>1% Decrease (4.20%)</b>	<b>Current Discount Rate (5.20%)</b>	<b>1% Increase (6.20%)</b>
District's proportionate share of the collective net OPEB liability	\$ 1,939,247	\$ 1,412,424	\$ 980,078

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

	<b>1% Decrease</b>	<b>Current Healthcare Rate</b>	<b>1% Increase</b>
District's proportionate share of the collective net OPEB liability	\$ 1,016,777	\$ 1,412,424	\$ 1,889,975

**OPEB Plan Fiduciary Net Position**

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

**NOTE 13: CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if, based on the grantor's review, the funds were not used for their intended purposes, the grantors may request refunds of monies advanced, or refuse to reimburse the District for its expenditures. The amounts of such future refunds and unreimbursed expenditures, if any, are not expected to be significant. Continuation of the District's grant programs is predicated upon the satisfaction of the various grantors that the funds they provide are being spent as intended and upon their intent to continue their programs.

**NOTE 14: 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 provides, through a commercial insurance provider, a fully-insured health insurance plan for eligible employees. The District pays a percentage of its employees' insurance premiums.

The District continues to carry commercial insurance for general liability, worker's compensation and all other risks of loss, including errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 15: COST ALLOCATION PLAN (CAP)**

All costs incurred by the District are chargeable to specific program elements. These disbursements can either be classified as direct or as shared charges.

Direct charges are defined in the Uniform Guidance 2 CFR Part 200 (formerly OMB Circular A-87), issued by the Office of Management and Budget, as those costs that can identified specifically with a particular cost objective.

Shared costs are those costs incurred by the Purchase Area Development District for a common or joint purpose which benefits more than one program element, and are not readily assignable to the program element(s) specifically benefited.

In January of 1973, the Purchase Area Development District, with the assistance of its auditor, consolidated all the grant bank accounts of the Purchase Area Development District and began a cost allocation process of accounting. The Purchase Area Development District's accounting process is a very detailed integrated accounting system based on the accrual method of accounting. When the Commonwealth of Kentucky's Area Development Districts joined together and formed the Integrated Grant Program in 1975, the processes for the allocation of expenditures to the various grants and work elements were standardized by developing one set of criteria for the accounting process. Under the Joint Funding Administration System, it is inappropriate to identify most specific costs due to the

**NOTE 15: COST ALLOCATION PLAN (CAP) (CONTINUED)**

integration of the various funds within the numerous program elements. However, there are some items that should be charged direct.

In analyzing the budgeted work elements of the Purchase Area Development District, it was determined that the categories of costs were as follows:

**Direct Costs Only:** The direct salary costs and related personnel burden and travel expenses of an individual performing work on a specific work element, the cost of a consultant who performs work on a particular work element, or the contractual services received for a particular work element are classified as direct costs.

**Shared Costs Only:** Those costs of an organization which are not specifically identifiable with a particular project, service, program, or activity, but nevertheless are necessary to the general operation of the organization and the conduct of the activities it performs. The administrative activities of shared cost generally include, but are not limited to, agency personnel management, accounting, auditing, and legal services.

**Mixed Direct and Shared Costs:** This includes the costs of certain salaries and related personnel burden, printing and publications, travel and contractual services, etc. The Purchase Area Development District will charge the salaries and personnel burden of the administrative staff directly to programs when identifiable.

**Local Expenditures Only:** These include costs not allowable under grant terms and conditions.

*Direct Costs:*

We believe that the following costs fall within the District's definition of direct costs:

1. **Salaries and Wages:** All salaries of professional employees, which work specifically on certain work elements, are to be charged as a direct cost to the program element(s) in which their work is attributable.
2. **Employee Personnel Burden:** All employee personnel burden which can be specifically related to an employee whose salary is being charged directly is also to be charged as a direct cost based on the allocation of salary of that particular employee. These items of employee personnel burden that are charged as direct items are as follows:
  - The District's portion of the cost of Health Insurance per employee.
  - The District's portion of the cost of Dental Insurance per employee.
  - The District's portion of the Retirement Contribution per employee.

**NOTE 15: COST ALLOCATION PLAN (CAP) (CONTINUED)**

- The District's portion of the cost of Life/Disability Insurance per employee.
- 3. Leave: All expenditures and accrual of leave time in the form of vacation leave or sick leave for employees whose salaries are being charged directly to specific work element(s) will also be charged as a direct charge based on the allocation of salary to that particular employee.
- 4. Consultant Contracts: All consultant contracts whose content is directly attributed to specific work element(s) are charged as a direct cost to the program element(s) in which they apply.
- 5. Contractual Services: All contractual services, which can be directly attributed to specific work element(s) are charged as a direct cost to the program element(s) in which they apply.
- 6. Printing: All printing costs, which are directly attributable to documents within a specific work element, are to be charged as direct costs.
- 7. Travel: All travel costs for employees whose time is directly attributable to specific work element(s) are also charged as direct costs based on the same percentage allocation as that of the salary of each employee. This process of charging travel is utilized by the Purchase Area Development District due to the travel complexities of the area. Since the District's travel costs are large due to the location of the District to the rest of the state, the Purchase Area Development District utilizes combined purposes for travel.

*Mixed and Direct Shared Costs*

The District has projected that the following costs will be allocated as follows between direct and shared costs:

1. Salaries and Wages: The salaries and wages of the administrative personnel and support staff are to be charged directly to programs when identifiable. When this represents general agency and personnel management, the costs will be charged to the shared cost pool. Actual time charged in either direct or shared administrative activities will be documented on time sheets.
2. Employee Personnel Burden: Employee personnel burden is to be allocated to the programs or to shared costs based on the reporting of time worked in each area. The personnel burden includes the agency's portion of health insurance, dental insurance, retirement contribution, and life and disability insurance. Worker's compensation and unemployment insurance is currently being charged to shared personnel burden.
3. Leave: Leave is allocated to direct or shared costs based on the reporting of time worked in each area. Leave earned by employees reporting time in the shared cost pool is charged to personnel burden.

**NOTE 15: COST ALLOCATION PLAN (CAP) (CONTINUED)**

4. Contractual Services: Services, which are contracted and are not directly attributable to any particular work element, are to be charged as a shared cost.
5. Printing and Publications: All miscellaneous printing costs are to be charged as a shared cost. Publication costs general in nature are to be charged as a shared cost.
6. Travel/Education/Training: Travel costs for the Executive Director will be charged directly when identifiable or will be charged to shared costs when not identifiable. The administrative/support staff's travel will be allocated to the program areas based on time records. The cost of travel reimbursement for board members and committee members will be charged as shared costs except when the travel concerns a particular or identifiable program, and then it will be charged directly.
7. All Other Costs: All other costs are to be charged as shared costs or charged direct when identifiable. These costs include the following items of expenditures:
  - Office space, Utilities, and Maintenance
  - Telephone and Telegraph
  - Consumable Supplies
  - Postage
  - Equipment Lease
  - Miscellaneous Costs (audit, bonds, organizational dues, liability insurance, legal services, etc.)

In summary, the following is a description of the accounting policies that were followed in adapting the accounting system of the Purchase Area Development District to the requirements of the Uniform Guidance 2 CFR Part 200 (formerly OMB Circular A-87):

1. The allowability or non-allowability of specific costs will be determined by specific contract, sub-recipient agreement, and Uniform Guidance 2 CFR Part 200.
2. Shared costs will be distributed to the work elements in relationship to the direct salaries and personnel burden.
3. Costs, which can be identified with a particular work element, will be charged directly to that work element.
4. Travel costs follow the time of the person doing the traveling or will be charged directly when identifiable.

Purchase Area Development District  
Notes to Financial Statements

**NOTE 15: COST ALLOCATION PLAN (CAP) (CONTINUED)**

5. Direct salary and personnel burden costs shall include the actual costs of the employee in that work element.

6. When a work element has direct salaries, it must be charged with its proportionate share of the shared costs.

7. Shared time is not only time that is fragmented, but some functions, such as payroll preparation, general administration, and receptionist duties are shared in their nature. This time will be allocated to the various work elements through the shared cost pool.

<i>Year Ended June 30, 2022</i>	<b>Shared Costs</b>
Salaries	\$ 311,940
Employee benefits	159,394
Insurance	16,030
Contractual Services	92,783
Rent	154,255
Utilities	57,879
Computer software	27,831
Travel	19,569
Janitorial	15,662
Dues and memberships	21,541
Supplies	13,373
Training and registrations	5,870
Other	31,200
	<u>\$ 927,327</u>

Direct Salaries and Employee Benefits:

Salaries	\$ 2,104,204
Employee benefits	1,320,578

<b>Total</b>	<b>\$ 3,424,782</b>
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Total Shared Costs	\$ 927,327
Total Direct Salaries and Employee Benefits	\$ 3,424,782

<b>FY' 22 Shared Cost Rate</b>	<b>27.08%</b>
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Purchase Area Development District  
Budgetary Comparison Schedule for the General Fund

*Year Ended June 30, 2022*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Final to Actual
<b>Revenues</b>				
Local income	\$ -	\$ -	\$ 51,330	\$ 51,330
Investment income	60,000	57,000	2,164	(54,836)
Other income	43,207	40,000	42,888	2,888
Total revenues	103,207	97,000	96,382	(618)
<b>Expenditures</b>				
Salaries	425,000	425,000	323,675	101,325
Employee benefits	325,000	325,000	258,237	66,763
Travel	25,000	25,000	19,604	5,396
Other	200,000	200,000	379,221	(179,221)
<sup>(A)</sup> Total expenditures	975,000	975,000	980,737	(5,737)
Deficiency of revenues over expenditures	(871,793)	(878,000)	(884,355)	(6,355)
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	-	-	927,327	927,327
Operating transfer out	-	-	(45,238)	(45,238)
Total other financing sources (uses)	-	-	882,089	882,089
Net change in fund balance	(871,793)	(878,000)	(2,266)	875,734
Fund balances - beginning of year, as previously reported	2,086,291	2,086,291	2,086,291	-
Prior period adjustments	-	-	(88,095)	(88,095)
Fund balances - beginning of year, as restated	2,086,291	2,086,291	1,998,196	(88,095)
Fund balances - end of year	\$ 1,214,498	\$ 1,208,291	\$ 1,995,930	\$ 787,639

<sup>(A)</sup> Note A: Reconciliation of Total Expenditures for Budgetary Reporting to the Statement of Revenues, Expenditures, and Changes in Fund Balances Expenditures:

Total General Fund expenditures noted above: \$ 980,737

Differences in Governmental fund other expense reporting for  
shared costs (927,327)

Total General Fund expenditures on the Statement of Revenues,  
Expenditures and Changes in Fund Balance - General Fund \$ 53,410

Purchase Area Development District  
Budgetary Comparison Schedule for the Special Revenue Funds

*Year Ended June 30, 2022*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenue	\$ 10,308,821	\$ 12,658,328	\$ 13,618,573	\$ 960,245
Local revenue	-	-	340,080	340,080
Investment income	406,000	-	114,898	114,898
Other income	-	-	31,726	31,726
Total revenues	10,714,821	12,658,328	14,105,277	1,446,949
Expenditures				
Salaries	1,608,850	1,642,185	1,780,530	(138,345)
Employee Benefits	714,004	722,804	1,062,351	(339,547)
Travel	76,000	76,000	44,887	31,113
Contractual services	1,691,111	2,721,930	2,213,164	508,766
Other	5,675,397	5,675,397	8,643,755	(2,968,358)
Total expenditures	9,765,362	10,838,316	13,744,687	(2,906,371)
Excess of revenues over expenditures	949,459	1,820,012	360,590	(1,459,422)
Other Financing Sources (Uses)				
Note payable proceeds	-	-	113,000	113,000
Operating transfer in	-	-	45,238	45,238
Total other financing sources (uses)	-	-	158,238	158,238
Net change in fund balance	949,459	1,820,012	518,828	(1,301,184)
Fund balances - beginning of year, as previously reported	6,473,148	6,473,148	6,473,148	-
Prior period adjustments	-	-	2,743,233	2,743,233
Fund balances - beginning of year, as restated	6,473,148	6,473,148	9,216,381	2,743,233
Fund balances - end of year	\$ 7,422,607	\$ 8,293,160	\$ 9,735,209	\$ 1,442,049

Purchase Area Development District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

**Schedule of the District's Proportionate Share of the Net Pension Liability - CERS**

<i>As of June 30,</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.073794%	0.069399%	0.070472%	0.078880%	0.087505%	0.090540%	0.090573%	0.093500%
District's proportionate share of the net pension liability	\$ 4,704,946	\$ 5,322,846	\$ 4,956,327	\$ 4,804,032	\$ 5,121,837	\$ 4,457,736	\$ 3,890,950	\$ 3,032,000
District's covered payroll	\$ 1,922,256	\$ 1,814,918	\$ 1,822,889	\$ 1,986,043	\$ 2,163,454	\$ 2,183,741	\$ 2,141,327	\$ 2,154,363
District's proportionate share of the net pension liability as a percentage of its covered payroll	244.76%	293.28%	271.89%	241.89%	236.74%	204.13%	181.71%	140.74%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

**Schedule of District Contributions - CERS**

<i>For the Year Ended June 30,</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 451,295	\$ 370,995	\$ 350,279	\$ 295,673	\$ 287,579	\$ 301,802	\$ 271,221	\$ 273,019
Contributions in relation to the contractually required contribution	451,295	370,995	350,279	295,673	287,579	301,802	271,221	273,019
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,131,767	\$ 1,922,256	\$ 1,814,918	\$ 1,822,889	\$ 1,986,043	\$ 2,163,454	\$ 2,183,741	\$ 2,183,741
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.50%

Purchase Area Development District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

**Changes of Benefit Terms**

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

**Changes of Assumptions**

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

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

2020: During the 2020 legislative session, Senate Bill 249 was enacted which 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 Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

Purchase Area Development District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

**Purchase Area Development District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
County Employees Retirement System**

**Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS**

<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.073777%	0.069379%	0.070453%	0.078877%	0.087505%
District's proportionate share of the net OPEB liability	\$ 1,412,424	\$ 1,675,292	\$ 1,184,987	\$ 1,400,447	\$ 1,759,151
District's covered payroll	\$ 1,922,256	\$ 1,814,918	\$ 1,822,889	\$ 1,986,043	\$ 2,163,454
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.48%	92.31%	65.01%	70.51%	81.31%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%

**Schedule of District Contributions - CERS**

<i>For the years ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ 122,872	\$ 91,499	\$ 86,390	\$ 95,884	\$ 93,344
Contributions in relation to the contractually required contribution	122,872	91,499	86,390	95,884	93,344
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,131,767	\$ 1,922,256	\$ 1,814,918	\$ 1,822,889	\$ 1,986,043
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which 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 Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

Purchase Area Development District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
County Employees Retirement System

2018: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Purchase Area Development District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Special Revenue Funds

<i>June 30, 2022</i>	<b>Lending</b>	<b>Aging and Independent Living</b>	<b>Nutritional Services</b>	<b>Housing</b>	<b>Physical Planning</b>	<b>PDS</b>	<b>Workforce Development</b>	<b>Other Community and Economic Development</b>	<b>Total Special Revenue Funds</b>
<b>Assets</b>									
Cash	\$ 2,053,519	\$ -	\$ -	\$ 25,874	\$ -	\$ 386,590	\$ 45,238	\$ -	\$ 2,511,221
Investments	75,000	-	-	400,000	-	-	-	-	475,000
Due from other funds	593,007	-	2,064,040	376,475	265,343	864,188	-	-	4,163,053
Grants receivable, net	-	475,643	94,307	-	45,556	611,297	173,267	142,535	1,542,605
Loans, net	4,101,463	-	-	-	-	-	-	-	4,101,463
Inventory	-	-	126,516	-	-	-	-	-	126,516
Prepaid expenses	1,375	-	-	-	-	-	-	-	1,375
<b>Total assets</b>	<b>\$ 6,824,364</b>	<b>\$ 475,643</b>	<b>\$ 2,284,863</b>	<b>\$ 802,349</b>	<b>\$ 310,899</b>	<b>\$ 1,862,075</b>	<b>\$ 218,505</b>	<b>\$ 142,535</b>	<b>\$ 12,921,233</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Due to other funds	\$ -	32,688	-	\$ -	\$ -	\$ -	\$ 198,629	\$ 51,691	\$ 283,008
Accounts payable	10,852	358,231	52,436	3	2,991	633,512	11,768	12,700	1,082,493
Accrued payroll and taxes	4,775	5,128	1,982	1	1,871	7,105	8,108	3,684	32,654
Unearned revenue	-	-	1,716,044	-	-	71,825	-	-	1,787,869
<b>Total liabilities</b>	<b>15,627</b>	<b>396,047</b>	<b>1,770,462</b>	<b>4</b>	<b>4,862</b>	<b>712,442</b>	<b>218,505</b>	<b>68,075</b>	<b>3,186,024</b>
<b>Fund Balances</b>									
Non-spendable	4,102,838	-	126,516	-	-	-	-	-	4,229,354
Restricted	2,705,899	79,596	387,885	802,345	306,037	-	-	-	4,281,762
Assigned	-	-	-	-	-	1,149,633	-	74,460	1,224,093
<b>Total fund balances</b>	<b>6,808,737</b>	<b>79,596</b>	<b>514,401</b>	<b>802,345</b>	<b>306,037</b>	<b>1,149,633</b>	<b>-</b>	<b>74,460</b>	<b>9,735,209</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,824,364</b>	<b>\$ 475,643</b>	<b>\$ 2,284,863</b>	<b>\$ 802,349</b>	<b>\$ 310,899</b>	<b>\$ 1,862,075</b>	<b>\$ 218,505</b>	<b>\$ 142,535</b>	<b>\$ 12,921,233</b>

Purchase Area Development District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Special Revenue Funds

<i>Year Ended June 30, 2022</i>	<b>Lending</b>	<b>Aging and Independent Living</b>	<b>Nutritional Services</b>	<b>Housing</b>	<b>Physical Planning</b>	<b>PDS</b>	<b>Workforce Development</b>	<b>Other Community and Economic Development</b>	<b>Total Special Revenue Funds</b>
<b>Revenues</b>									
Intergovernmental revenue	\$ 1,238,482	\$ 2,835,301	\$ 2,377,466	\$ -	\$ 232,304	\$ 5,543,474	\$ 909,851	\$ 481,695	\$ 13,618,573
Local revenue	64,078	66,479	131,691	-	71,541	1,891	-	4,400	340,080
Investment income	112,710	-	-	2,188	-	-	-	-	114,898
Other income	78	3,000	33,518	-	-	(5,370)	-	500	31,726
<b>Total revenues</b>	<b>1,415,348</b>	<b>2,904,780</b>	<b>2,542,675</b>	<b>2,188</b>	<b>303,845</b>	<b>5,539,995</b>	<b>909,851</b>	<b>486,595</b>	<b>14,105,277</b>
<b>Expenditures</b>									
Salaries	99,834	221,307	141,010	162	118,928	539,195	431,161	228,933	1,780,530
Employee benefits	54,934	141,959	87,172	107	64,166	354,304	238,516	121,193	1,062,351
Travel	2,351	5,842	11,376	-	7,408	1,925	6,417	9,568	44,887
Contractual services	-	2,213,164	-	-	-	-	-	-	2,213,164
Program services	-	-	2,173,786	-	-	4,538,902	-	-	6,712,688
Other	254,322	276,652	360,988	137,245	89,492	406,996	261,406	143,966	1,931,067
<b>Total expenditures</b>	<b>411,441</b>	<b>2,858,924</b>	<b>2,774,332</b>	<b>137,514</b>	<b>279,994</b>	<b>5,841,322</b>	<b>937,500</b>	<b>503,660</b>	<b>13,744,687</b>
Excess (deficiency) of revenues over expenditures	1,003,907	45,856	(231,657)	(135,326)	23,851	(301,327)	(27,649)	(17,065)	360,590

Purchase Area Development District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Special Revenue Funds

<i>Year Ended June 30, 2022</i>	<b>Lending</b>	<b>Aging and Independent Living</b>	<b>Nutritional Services</b>	<b>Housing</b>	<b>Physical Planning</b>	<b>PDS</b>	<b>Workforce Development</b>	<b>Other Community and Economic Development</b>	<b>Total Special Revenue Funds</b>
<b>Other Financing Sources (Uses)</b>									
Note payable proceeds	-	-	-	113,000	-	-	-	-	113,000
Operating transfers in	-	-	-	-	-	-	45,238	-	45,238
<b>Total other financing sources (uses)</b>	-	-	-	113,000	-	-	45,238	-	158,238
Net change in fund balance	1,003,907	45,856	(231,657)	(22,326)	23,851	(301,327)	17,589	(17,065)	518,828
Fund balances (deficit) - beginning of year, as restated - net of prior period adjustments of \$2,743,233	5,804,830	33,740	746,058	824,671	282,186	1,450,960	(17,589)	91,525	9,216,381
<b>Fund balances - end of year</b>	<b>\$ 6,808,737</b>	<b>\$ 79,596</b>	<b>\$ 514,401</b>	<b>\$ 802,345</b>	<b>\$ 306,037</b>	<b>\$ 1,149,633</b>	<b>\$ -</b>	<b>\$ 74,460</b>	<b>\$ 9,735,209</b>

# Purchase Area Development District Statement of Grant Activity

	Local 10000	JFA Comm & Econ Dev. 12000	JFA C.D.B.G. 12500	JFA Management Assistance 14000	JFA Program Admin 15000	JFA/DLG EDA Cares 16000	911 Accounting Contract 17001	Delta Reg Auth FY21-22 19001	DRG - Project Admin 19004	CDBG LACenter Water Proj 19006	CDBG Hickman County Housing 19007	FHLB TVA Home Uplift 19008
<b>Revenues</b>												
Federal:												
Received	\$ -	\$ 53,859	\$ 8,151	\$ -	\$ -	\$ 185,700	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -
Receivable (payable)	-	12,807	201	-	-	83,862	-	8,000	5,650	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-
State:												
Received	-	13,465	8,151	45,994	17,240	-	-	-	-	-	-	-
Receivable (payable)	-	3,202	200	16,414	10,798	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-
Local:												
Received	70,280	-	-	-	-	-	12,500	-	-	-	3,000	-
Receivable (payable)	-	-	-	-	-	-	-	-	-	-	1,400	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	500
<b>Total revenues/sources</b>	<b>70,280</b>	<b>83,333</b>	<b>16,703</b>	<b>62,408</b>	<b>28,038</b>	<b>269,562</b>	<b>12,500</b>	<b>16,000</b>	<b>5,650</b>	<b>-</b>	<b>4,400</b>	<b>500</b>
<b>Expenses</b>												
Direct expenses:												
Salaries	311,940	39,099	7,576	30,630	12,566	129,646	5,136	3,024	3,524	425	1,774	669
Employee benefits	251,808	33,773	3,579	16,078	6,299	56,488	2,982	2,128	1,893	(310)	948	317
Travel	19,569	1,469	256	1,707	1,573	3,069	-	1,196	29	21	195	53
Advances to sub-grantees	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	371,312	4,480	828	1,158	1,739	14,591	925	-	231	19	628	9
<b>Total direct expenses</b>	<b>954,629</b>	<b>78,821</b>	<b>12,239</b>	<b>49,573</b>	<b>22,177</b>	<b>203,794</b>	<b>9,043</b>	<b>6,348</b>	<b>5,677</b>	<b>155</b>	<b>3,545</b>	<b>1,048</b>
Indirect expenses:												
Indirect expenses applied	(927,327)	21,629	4,729	16,407	6,714	66,711	2,739	1,415	1,512	67	858	241
<b>Total expenses</b>	<b>27,302</b>	<b>100,450</b>	<b>16,968</b>	<b>65,980</b>	<b>28,891</b>	<b>270,505</b>	<b>11,782</b>	<b>7,763</b>	<b>7,189</b>	<b>222</b>	<b>4,403</b>	<b>1,289</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ 42,978</b>	<b>\$ (17,117)</b>	<b>\$ (265)</b>	<b>\$ (3,572)</b>	<b>\$ (853)</b>	<b>\$ (943)</b>	<b>\$ 718</b>	<b>\$ 8,237</b>	<b>\$ (1,539)</b>	<b>\$ (222)</b>	<b>\$ (3)</b>	<b>\$ (789)</b>

# Purchase Area Development District Statement of Grant Activity

	Revolving Loan Fund - 20101	RLF Recap 20201	RLF EDA CARES Admin - 20301	RBEG RLF 21101	RBEG RLF 2 21201	RBEG RLF 3 21301	IRP 22101	IRP Recap 22201	IRP 3 22301	IRP V 22501	SBA Micro Loan II 23101	SBA Micro Loan III 23201	SBA 504 23301	SBA 23401	SBA Microloan IV
<b>Revenues</b>															
Federal:															
Received	\$ -	\$ -	\$ 1,238,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivable (payable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State:															
Received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable (payable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local:															
Received	-	-	-	20	-	-	-	-	-	-	-	-	55,901	8,157	-
Receivable (payable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	41,046	5,712	23,747	8,840	1,152	117	5,219	6,044	6,923	9,474	86	4,401	-	-	26
Total revenues/sources	41,046	5,712	1,262,229	8,860	1,152	117	5,219	6,044	6,923	9,474	86	4,401	55,901	8,157	26
<b>Expenses</b>															
Direct expenses:															
Salaries	7,060	1,990	41,815	2,304	261	4	274	703	2,095	2,339	1,172	1,219	29,876	8,723	-
Employee benefits	4,286	1,386	19,767	1,627	139	3	171	391	1,402	1,599	889	614	17,355	5,301	-
Travel	17	3	247	6	-	-	-	-	12	5	3	-	2,038	20	-
Advances to sub-grantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	121,700	(22,175)	61,466	328	5	-	282	1,582	3,676	3,428	-	17,799	13,913	-	10
Total direct expenses	133,063	(18,796)	123,295	4,265	405	7	727	2,676	7,185	7,371	2,064	19,632	63,182	14,044	10
Indirect expenses:															
Indirect expenses applied	4,680	1,168	20,397	1,429	102	1	155	309	1,210	1,290	741	558	17,168	3,099	-
Total expenses	137,743	(17,628)	143,692	5,694	507	8	882	2,985	8,395	8,661	2,805	20,190	80,350	17,143	10
<b>Revenues Over (Under) Expenses</b>	\$ (96,697)	\$ 23,340	\$ 1,118,537	\$ 3,166	\$ 645	\$ 109	\$ 4,337	\$ 3,059	\$ (1,472)	\$ 813	\$ (2,719)	\$ (15,789)	\$ (24,449)	\$ (8,986)	\$ 16

## Purchase Area Development District Statement of Grant Activity

	CDO Support BRK all Waivers 30001	CDO/All Waivers Client - 30002	Veterans Directed Care - 31001	Pref Comm Health Partn PCHP - 32001	Commodity Supply Food Program 41001	TEFAP 41002	TEFAP Cares Act 41004	2021 Covid Supplemental Food Distribution Program Food Bank 41005	CARES Act Build Back Better Program 22 Food Bank 41006	Food Bank 42001	AT&T Foodbank Donation 42002	Legal Food Frenzy 42003	Tornado Relief Food Bank 42011
<b>Revenues</b>													
Federal:													
Received	\$ -	\$ -	\$ 18,959	\$ -	\$ 665,301	\$ 1,045,435	\$ 3,538	\$ 331,769	\$ 285,224	\$ -	\$ -	\$ -	\$ -
Receivable (payable)	-	-	2,983	-	30,152	16,047	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-
State:													
Received	825,055	4,100,870	-	-	-	-	-	-	-	-	-	-	-
Receivable (payable)	183,757	411,850	-	-	-	-	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-
Local:													
Received	390	-	-	1,501	-	5,130	-	-	-	105,632	1,000	1,980	-
Receivable (payable)	-	-	-	-	-	-	-	-	-	17,948	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	61	(5,431)	-	-	-	(283)	-	-	-	-	-	-	34,177
<b>Total revenues/sources</b>	<b>1,009,263</b>	<b>4,507,289</b>	<b>21,942</b>	<b>1,501</b>	<b>695,453</b>	<b>1,066,329</b>	<b>3,538</b>	<b>331,769</b>	<b>285,224</b>	<b>123,580</b>	<b>1,000</b>	<b>1,980</b>	<b>34,177</b>
<b>Expenses</b>													
Direct expenses:													
Salaries	524,225	-	13,512	1,459	63,687	40,685	-	-	-	36,638	-	-	-
Employee benefits	344,579	-	8,701	1,024	43,821	23,496	-	-	-	19,855	-	-	-
Travel	1,748	-	177	-	1,398	1,614	-	-	-	1,269	-	-	-
Advances to sub-grantees	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	46,461	4,649,142	22	-	599,227	994,312	60,442	331,769	285,224	171,085	1,000	1,980	15,269
<b>Total direct expenses</b>	<b>917,013</b>	<b>4,649,142</b>	<b>22,412</b>	<b>2,483</b>	<b>708,133</b>	<b>1,060,107</b>	<b>60,442</b>	<b>331,769</b>	<b>285,224</b>	<b>228,847</b>	<b>1,000</b>	<b>1,980</b>	<b>15,269</b>
Indirect expenses:													
Indirect expenses applied	241,547	-	7,783	929	36,864	23,315	-	-	-	21,381	-	-	-
<b>Total expenses</b>	<b>1,158,560</b>	<b>4,649,142</b>	<b>30,195</b>	<b>3,412</b>	<b>744,997</b>	<b>1,083,422</b>	<b>60,442</b>	<b>331,769</b>	<b>285,224</b>	<b>250,228</b>	<b>1,000</b>	<b>1,980</b>	<b>15,269</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ (149,297)</b>	<b>\$ (141,853)</b>	<b>\$ (8,253)</b>	<b>\$ (1,911)</b>	<b>\$ (49,544)</b>	<b>\$ (17,093)</b>	<b>\$ (56,904)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (126,648)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,908</b>

## Purchase Area Development District Statement of Grant Activity

	TIIB B Aging Admin 51001	Title III B Internal Services 51002	Title III B Sub- Contractor Services 51003	TIIC1 Cong Meals Admin 51004	Title III C1 Internal Services 51005	Title III C1 Sub- Contractor Services 51006	TIIC2 HDM Admin 51007	Title III C2 Internal Services 51008	Title III C2 Subcontractor Services 51009	Title III D Internal Services 51010	Title III D Subcontractor Services 51011	TIICaregiver Admin 51012	Title III E Internal Services 51013	Homecare Admin 52001	Homecare Internal Services 52002	Homecare Subcontractor Services 52003
<b>Revenues</b>																
Federal:																
Received	\$ 11,711	\$ 25,020	\$ 163,870	\$ 10,840	\$ 3,051	\$ 393,106	\$ 15,480	\$ 2,712	\$ 506,236	\$ 1,291	\$ 9,332	\$ 9,385	\$ 52,532	\$ -	\$ -	\$ -
Receivable (payable)	3,987	1,268	150,677	2,200	-	20,908	-	-	-	11,607	1,056	(4,736)	63,312	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State:																
Received	7,684	2,100	15,386	9,451	449	41,982	5,310	-	126,843	-	200	3,773	57,126	64,306	78,167	398,738
Receivable (payable)	-	-	-	1,903	-	-	2,776	-	-	-	-	7,258	-	6,721	7,499	131,500
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local:																
Received	-	3,005	316	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable (payable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	(956)	-	-	-	-	-	-	-	-	-	-	-	951
<b>Total revenues/sources</b>	<b>23,382</b>	<b>31,393</b>	<b>330,249</b>	<b>23,438</b>	<b>3,500</b>	<b>455,996</b>	<b>23,566</b>	<b>2,712</b>	<b>633,079</b>	<b>12,898</b>	<b>10,588</b>	<b>15,680</b>	<b>172,970</b>	<b>71,027</b>	<b>85,666</b>	<b>531,189</b>
<b>Expenses</b>																
Direct expenses:																
Salaries	10,383	12,426	-	10,935	-	-	10,766	-	-	442	-	7,144	33,092	28,990	37,522	-
Employee benefits	12,002	6,937	-	6,440	-	-	6,541	-	-	266	-	4,230	19,994	20,575	20,940	-
Travel	25	209	-	30	-	-	16	-	-	-	-	63	801	322	1,857	-
Advances to sub-grantees	-	-	222,198	-	-	242,663	-	-	1,267,074	-	10,588	-	-	-	-	229,798
Other expenses	475	4,676	-	12	3,500	-	56	2,712	-	11,851	-	446	87,602	9,984	5,714	-
<b>Total direct expenses</b>	<b>22,885</b>	<b>24,248</b>	<b>222,198</b>	<b>17,417</b>	<b>3,500</b>	<b>242,663</b>	<b>17,379</b>	<b>2,712</b>	<b>1,267,074</b>	<b>12,559</b>	<b>10,588</b>	<b>11,883</b>	<b>141,489</b>	<b>59,871</b>	<b>66,033</b>	<b>229,798</b>
Indirect expenses:																
Indirect expenses applied	5,961	7,145	-	6,021	-	-	6,187	-	-	339	-	3,797	19,262	15,422	19,633	-
<b>Total expenses</b>	<b>28,846</b>	<b>31,393</b>	<b>222,198</b>	<b>23,438</b>	<b>3,500</b>	<b>242,663</b>	<b>23,566</b>	<b>2,712</b>	<b>1,267,074</b>	<b>12,898</b>	<b>10,588</b>	<b>15,680</b>	<b>160,751</b>	<b>75,293</b>	<b>85,666</b>	<b>229,798</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ (5,464)</b>	<b>\$ -</b>	<b>\$ 108,051</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,333</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (633,995)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,219</b>	<b>\$ (4,266)</b>	<b>\$ -</b>	<b>\$ 301,391</b>

## Purchase Area Development District Statement of Grant Activity

	MIPPA AAA 9/30 - 8/31/21 53001	MIPPA ADRC 9/30 - 8/31/21 53002	MIPPA SHIP 9/30 - 8/31/21 53003	MIPPA AAA 53007	NSIP 53010	Title V Admin - 53011	Title V WKAS 53012	TVII Elder Abuse 53013	TVII Ombudsman 53014	State LTC Ombudsman 53015	SHIP - Services 53017	SHIP - Admin 53018	Medicaid ADRC 53019	Medicaid ADRC No Wrong Door Funds 53020
<b>Revenues</b>														
Federal:														
Received	\$ 5,625	\$ 4,898	\$ 15,933	\$ 1,653	\$ 106,353	\$ 9,184	\$ 103,402	\$ 4,213	\$ 7,890	\$ -	\$ 22,179	\$ 2,800	\$ 7,092	\$ 17,551
Receivable (payable)	1,908	-	473	-	20,000	1,191	11,089	-	-	-	225	-	1,188	2,523
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State:														
Received	-	-	-	-	-	-	-	3,200	5,788	37,535	-	-	7,092	-
Receivable (payable)	-	-	-	-	-	-	-	-	-	9,111	-	-	1,188	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local:														
Received	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable (payable)	-	7,266	1,023	-	-	1,258	-	-	1,997	-	-	4,619	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenues/sources</b>	<b>7,533</b>	<b>12,164</b>	<b>17,429</b>	<b>1,653</b>	<b>126,353</b>	<b>11,633</b>	<b>114,491</b>	<b>7,413</b>	<b>15,675</b>	<b>46,646</b>	<b>22,404</b>	<b>7,419</b>	<b>16,560</b>	<b>20,074</b>
<b>Expenses</b>														
Direct expenses:														
Salaries	3,611	5,584	7,604	742	-	5,714	-	3,018	7,109	20,850	8,639	2,882	3,325	529
Employee benefits	6,414	3,302	4,656	628	-	3,009	-	1,808	4,178	11,306	5,388	1,511	1,528	304
Travel	-	-	-	-	-	-	-	52	321	1,674	473	-	-	-
Advances to sub-grantees	-	-	-	-	126,353	-	114,491	-	-	-	-	-	-	-
Other expenses	60	369	744	-	-	8	-	531	264	1,816	3,082	146	874	18,985
<b>Total direct expenses</b>	<b>10,085</b>	<b>9,255</b>	<b>13,004</b>	<b>1,370</b>	<b>126,353</b>	<b>8,731</b>	<b>114,491</b>	<b>5,409</b>	<b>11,872</b>	<b>35,646</b>	<b>17,582</b>	<b>4,539</b>	<b>5,727</b>	<b>19,818</b>
Indirect expenses:														
Indirect expenses applied	1,912	2,909	4,425	283	-	2,902	-	2,004	3,803	11,000	4,822	2,880	1,698	256
<b>Total expenses</b>	<b>11,997</b>	<b>12,164</b>	<b>17,429</b>	<b>1,653</b>	<b>126,353</b>	<b>11,633</b>	<b>114,491</b>	<b>7,413</b>	<b>15,675</b>	<b>46,646</b>	<b>22,404</b>	<b>7,419</b>	<b>7,425</b>	<b>20,074</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ (4,464)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,135</b>	<b>\$ -</b>

Purchase Area Development District  
Statement of Grant Activity

	Silver Bells 54000	KHC Prod LN Maintenance 61001	PAHC 62001	Regional Transportation 71001	Local Roads 71002	Section 5304 Transportation 71003	Great River Road 71004	GRR Project 71005	KIA Planning 72001	Regional E911 72002	Hazard Mitigation 72003	Local Mapping 72004
<b>Revenues</b>												
Federal:												
Received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivable (payable)	-	-	-	-	-	15,596	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-
State:												
Received	-	-	-	58,689	10,173	-	16,869	6,328	57,610	-	-	-
Receivable (payable)	-	-	-	19,565	6,427	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-
Local:												
Received	53,000	-	12,052	8,573	-	14,163	-	-	-	47,250	-	1,555
Receivable (payable)	-	-	1,550	-	-	-	-	-	-	-	-	-
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	111,814	-	-	-	-	-	-	-	-	-	-
Total revenues/sources	53,000	111,814	13,602	86,827	16,600	70,806	16,869	6,328	57,610	47,250	-	1,555
<b>Expenses</b>												
Direct expenses:												
Salaries	-	162	6,599	32,970	7,751	32,462	3,532	-	29,008	9,492	2,482	1,231
Employee benefits	-	107	3,447	17,846	3,709	16,343	1,467	-	15,376	7,577	1,182	666
Travel	-	-	35	1,395	442	4,117	23	-	1,096	139	93	103
Advances to sub-grantees	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	102	137,152	1,021	3,088	-	1,254	10,000	6,328	2,859	1,878	210	179
Total direct expenses	102	137,421	11,102	55,299	11,902	54,176	15,022	6,328	48,339	19,086	3,967	2,179
Indirect expenses:												
Indirect expenses applied	-	92	3,224	15,929	4,715	17,576	1,847	-	16,203	5,092	1,034	1,301
Total expenses	102	137,513	14,326	71,228	16,617	71,752	16,869	6,328	64,542	24,178	5,001	3,480
<b>Revenues Over (Under) Expenses</b>	\$ 52,898	\$ (25,699)	\$ (724)	\$ 15,599	\$ (17)	\$ (946)	\$ -	\$ -	\$ (6,932)	\$ 23,072	\$ (5,001)	\$ (1,925)

Purchase Area Development District  
Statement of Grant Activity

	WIOA One Stop Operator 80001	WIOA Disloc Work Prog 80002	WIOA Adult Prog Services 80003	WIOA Trade 80004	WIOA Youth Prog Services 80005	WIOA Rapid Response 80006	WIOA RRAA Briggs & Stratton 80007	WIOA - Covid-19 NDWG 80008	WIOA - Tornado 2021 NDWG 80009	Total
<b>Revenues</b>										
Federal:										
Received	\$ 14,049	\$ 224,734	\$ 220,508	\$ 56,866	\$ 46,060	\$ 6,870	\$ 70,000	\$ 38,631	\$ 58,866	\$ 6,135,388
Receivable (payable)	4,076	49,796	53,978	9,799	10,426	42	-	6,369	38,782	637,442
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-
State:										
Received	-	-	-	-	-	-	-	-	-	6,025,574
Receivable (payable)	-	-	-	-	-	-	-	-	-	820,169
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-
Local:										
Received	-	-	-	-	-	-	-	-	-	405,405
Receivable (payable)	-	-	-	-	-	-	-	-	-	37,061
Advanced or unexpended	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	253,620
Total revenues/sources	18,125	274,530	274,486	66,665	56,486	6,912	70,000	45,000	97,648	14,314,659
<b>Expenses</b>										
Direct expenses:										
Salaries	8,082	125,465	128,843	32,065	26,975	3,176	36,024	20,832	49,696	2,104,204
Employee benefits	4,386	60,542	90,644	15,095	13,826	1,168	19,819	10,232	22,800	1,320,578
Travel	1,163	1,750	1,702	337	198	32	206	495	535	57,398
Advances to sub-grantees	-	-	-	-	-	-	-	-	-	2,213,165
Other expenses	106	11,899	11,730	1,260	283	-	288	1,536	3,805	8,102,752
Total direct expenses	13,737	199,656	232,919	48,757	41,282	4,376	56,337	33,095	76,836	13,798,097
Indirect expenses:										
Indirect expenses applied	4,388	74,874	69,215	17,908	15,204	2,536	13,663	11,905	20,812	-
Total expenses	18,125	274,530	302,134	66,665	56,486	6,912	70,000	45,000	97,648	13,798,097
<b>Revenues Over (Under) Expenses</b>	\$ -	\$ -	\$ (27,648)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516,562

## Purchase Area Development District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Contract Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health & Human Services:				
Passed through Kentucky Cabinet for Health and Family Services:				
Aging Cluster				
Special Programs for the Aging Title III, part B				
Grants for Supportive Services and Senior Centers	93.044	PON 2 725 2100002005	\$ 207,489	\$ 299,050
Special Programs for the Aging Title III, part C				
Nutrition Services	93.045	PON 2 725 2100002005	730,407	837,088
Nutrition Services Incentive Program	93.053	PON 2 725 2100003024	126,353	126,353
Subtotal				\$ 1,262,491
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON 2 725 2100001810	-	4,213
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	PON 2 725 2100001810	-	7,890
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services	93.043	PON 2 725 2100002005	-	23,286
National Family Caregiver Support, Title III, Part E	93.052	PON 2 725 2100002005	-	88,125
State Health Insurance Assistance Program	93.324	PON 2 725 2000003467	-	25,204
Medicaid Cluster - Medical Assistance Program	93.778	PON 2 725 2000004400	-	8,280
Special Programs for the Aging, Title IV, Title II, Discretionary Projects	93.048	PON 2 725 2000004400	-	20,074
Medicare Enrollment Assistance Program	93.071	PON 2 725 2000003015	-	18,059
Medicare Enrollment Assistance Program	93.071	PON 2 725 2000000242	-	12,431
Subtotal				30,490
Total U.S. Department of Health & Human Services				1,470,053
U.S. Department of Agriculture:				
Passed through Kentucky Department of Agriculture:				
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565	PON 2 035 2000002339	-	162,023
Emergency Food Assistance Program (Administrative Costs)	10.568	PON 2 035 2000002316	-	112,134
COVID-19 Emergency Food Assistance Program (Food Commodities)	10.569	PON 2 035 2000002339	-	3,538
Commodity Supplemental Food Program COVID-19 Emergency Food Assistance Program (Food Commodities)	10.565	PON 2 035 2000002339	-	533,431
COVID-19 Emergency Food Assistance Program (Food Commodities)	10.569	PON 2 035 2000002339	-	40,915
COVID-19 Emergency Food Assistance Program (Food Commodities)	10.569	PON 2 035 2200001555	-	244,309
Emergency Food Assistance Program (Food Commodities)	10.569	PON 2 035 2000002339	-	949,348
COVID-19 Emergency Food Assistance Program (Food Commodities)	10.569	PON 2 035 2100001995	-	331,768
Subtotal				2,377,466
Passed through Rural Business Cooperative Service:				
Intermediary Relending Program	10.767	-	-	75,000
Total U.S. Department of Agriculture				2,452,466

*See accompanying notes to the Schedule of Expenditures of Federal Awards*

# Purchase Area Development District Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Contract Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce:				
Economic Development Cluster				
Direct program				
COVID-19 Economic Adjustment Assistance <sup>1</sup>	11.307	-	-	2,693,496
Economic Adjustment Assistance <sup>2</sup>	11.307	-	-	1,868,475
Passed through Department for Local Government:				
COVID-19 Economic Adjustment Assistance	11.307	PON2 112 2100000405	-	269,562
Subtotal				4,831,533
Passed through Department for Local Government:				
Economic Development Support for Planning Organizations	11.302	PON2 112 2100003363	-	66,666
Total U.S. Department of Commerce				4,898,199
Delta Regional Authority:				
Direct program				
Delta Local Development District Assistance	90.202	-	-	21,650
Total Delta Regional Authority				21,650
U.S. Department of Housing and Urban Development:				
Passed through Department for Local Government:				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	PON2 112 2100003363	-	8,352
Total U.S. Department of Housing and Urban Development				8,352
U.S. Department of Labor:				
Passed through Kentucky Cabinet for Health and Family Services:				
Senior Community Service Employment Program	17.235	PON2 725 2000002889	114,491	124,866
WIOA Cluster				
WIOA Adult Program	17.258	A2200010001	-	281,671
WIOA Youth Activities	17.259	A2200010001	-	58,337
WIOA Dislocated Worker Formula Grants	17.278	A2200050005	-	360,237
Subtotal				700,245
COVID-19 WIOA National Dislocated Worker Trade Adjustment Assistance	17.277 17.245	A2200070007 A2200010001	- -	142,648 66,958
Total U.S. Department of Labor				1,034,717

*See accompanying notes to the Schedule of Expenditures of Federal Awards*

## Purchase Area Development District Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Contract Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury:				
Passed through Kentucky Cabinet for Health and Family Services:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	PON 2 725 2100002005	-	207,296
Total U.S. Department of the Treasury				207,296
U.S. Department of Veterans Affairs:				
Passed through Pennyriple Area Development				
VHA Home Care	64.044	VA2016-02(P)	-	21,942
Total U.S. Department of Veterans Affairs				21,942
U.S. Department of Transportation:				
Passed through KY Transportation Cabinet:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	P033021441	-	56,643
Total U.S. Department of Transportation				56,643
Total Expenditures of Federal Awards			\$ 1,178,740	\$ 10,171,318
<sup>1</sup> Schedule of Expenditures of Federal Awards Calculation for Economic Adjustment Assistance Fund (RLF CARES) Grant				
Balance of RLF CARES loans outstanding at June 30, 2022				\$ 2,327,863
Cash and investment balance in RLF CARES at June 30, 2022				290,219
Administrative expenses paid out of RLF CARES in year ended June 30, 2022				75,414
				2,693,496
Federal share of RLF			X	100%
				\$ 2,693,496
<sup>2</sup> Schedule of Expenditures of Federal Awards Calculation for Economic Adjustment Assistance Fund (RLF) Grant - per Agreement to Release the EDA Federal Interest in a Revolving Loan Fund Award				
RLF capital base as of December 31, 2021 (Date of release in Federal interest)				\$ 2,491,992
				2,491,992
Federal share of RLF			X	75%
				\$ 1,868,475

*See accompanying notes to the Schedule of Expenditures of Federal Awards*

## Purchase Area Development District Notes to the Schedule of Expenditures of Federal Awards

### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Purchase Area Development District (the “District”) under programs of the federal government for the year ended June 30, 2022. 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 present the financial position, changes in net position or cash flows of the District.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Nonmonetary assistance is reported in the schedule at fair value of goods received.

### **NOTE 3: INDIRECT COST RATE**

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

### **NOTE 4: LOAN BALANCES**

The balance of loans outstanding at June 30, 2022 was \$2,327,863, Federal Assistance Listing No. 11.307, Revolving loan fund (RLF CARES). The RLF program is reported at the Federal share (75%) of the RLF capital base at December 31, 2021 (date of release in Federal interest).

The balance of loans outstanding at Jun 30, 2022 was \$742,941, Federal Assistance Listing No. 10.767, Intermediary Relending Program.

### **NOTE 5: CONTINGENCIES**

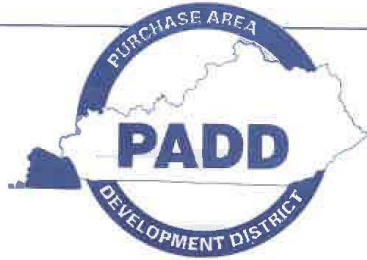
Grant monies received and disbursed by the District are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.

Purchase Area Development District  
Notes to the Schedule of Expenditures of Federal Awards

**NOTE 6: SUBRECIPIENTS**

The District did provide federal funds to subrecipients for the fiscal year June 30, 2022 as noted in the accompanying Schedule of Expenditures of Federal Awards.

# Purchase Area Development District Summary Schedule of Prior Audit Findings



1002 MEDICAL DRIVE  
P.O. BOX 588  
MAYFIELD, KY 42066-0588  
Phone: 270-247-7171  
Fax: 270-251-6110  
[purchase.add@purchaseadd.org](mailto:purchase.add@purchaseadd.org)

## **Purchase Area Development District Summary Schedule of Prior Audit Findings Year ended June 30, 2022**

### **2021-001**

*Condition:* The District's bank reconciliation for certain bank accounts did not include all outstanding checks as of June 30, 2021.

*Recommendation:* The Associate Director of Finance should review the monthly bank reconciliations for all bank accounts and agree the reconciled account balance to the general ledger account balances.

*Current Status:* The recommendation was adopted by the District. No similar findings were noted in the 2022 audit.

### **2021-002**

*Condition:* The District's general ledger account balances for certain notes receivable, notes payable, accounts payable, accrued vacation, other accrued liabilities, grant revenues, and grant expenses did not agree with the respective subsidiary ledgers, amortization schedules, worksheets, or grant documents as of June 30, 2021.

*Recommendation:* The Associate Director of Finance should review all general ledger account balances on a monthly basis to ensure they agree to the respective subsidiary ledgers, grant documents, or other supporting documentation.

*Current Status:* The recommendation was not fully adopted by the District. See repeat finding 2022-001 in the Schedule of Findings and Questioned Costs in the 2022 audit.

### **2021-003**

*Condition:* Proper segregation of duties should restrict those involved with the financial reporting from being authorized bank account signers.

*Recommendation:* The Associate Director of Finance should be removed from the account signature card of all bank accounts.

Ballard

Calloway

Carlisle

Fulton

Graves

Hickman

Marshall

McCracken

## Purchase Area Development District Summary Schedule of Prior Audit Findings

*Current Status:* The recommendation was adopted by the District, however, a similar finding was noted as 2022-004 in the Schedule of Findings and Questioned Costs in the 2022 audit.

### **2021-004**

*Condition:* The District did not allocate all of its fiscal year 2021 indirect costs to the eligible grants.

*Recommendation:* The Associate Director of Finance should review the general and administrative cost accounts, cost pool account, and allocated indirect cost each month, and make sure the total of all general and administrative cost accounts equals the total of all indirect cost accounts. The cost pool account should also have a credit balance in the same amount as the total of all general and administrative cost accounts.

*Current Status:* The recommendation was adopted by the District. No similar findings were noted in the 2022 audit.

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board of Directors  
Purchase Area Development District  
Mayfield, Kentucky

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

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003 and 2022-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-005 and 2022-006 to be a significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-003.

### **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
January 30, 2023

**Independent Auditors' Report on Compliance For  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

Board of Directors  
Purchase Area Development District  
Mayfield, Kentucky

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

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

We have audited the Purchase Area Development District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2022.

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

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

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

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

## Report on Internal Control over Compliance

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

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

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

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
January 30, 2023

Purchase Area Development District  
Schedule of Findings and Questioned Costs

**Section I — Summary of Auditors' Results**

**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified? ☒ Yes ☐ No

Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☒ Yes ☐ No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))? ☐ Yes ☒ None reported

## Purchase Area Development District Schedule of Findings and Questioned Costs (Continued)

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
93.044; 93.045; 93.053	Aging Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
11.307	Economic Development Cluster

Dollar threshold used to distinguish  
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

### Section II — Financial Statement Findings

#### 2022-001 General Ledger Maintenance over Financial Reporting – Material Weakness

*Condition:* Internal controls are not in place to provide reasonable assurance that account balances are fairly stated. During our audit procedures, we noted instances in which the general ledger was not being maintained appropriately, leading to material audit adjustments in the following areas:

- Prior period adjustments were required for unsupported amounts or restatements of:
  - Due to/Due from balances and receivables of \$206,653
  - Accounts payable amounts for \$138,811
  - Notes payable for \$58,000
  - Commodity inventories for \$200,531
- Notes payable were adjusted by \$113,000
- Accrued vacation liabilities were adjusted by \$129,083
- Commodities inventories and associated non-cash values had not been recorded (\$2,173,786 in food expenditures and \$2,099,771 in revenues)
- Unearned revenues were adjusted by \$1,642,463
- Capital assets, with a cost basis of \$555,206 and a net book value of \$48,667 were not recorded on the District's or Jackson Purchase Local Official Organization's (JPLOO) accounting records. JPLOO had not been included in the District's audit as a blended component unit.

*Criteria:* Internal controls should be in place that provide reasonable assurance that account balances are fairly stated and all component units are properly presented.

*Cause:* Certain internal controls were not in place to prevent or detect and correct misstatements.

*Effect:* Misstatements could be left undetected and uncorrected in the financial statements.

## Purchase Area Development District Schedule of Findings and Questioned Costs (Continued)

### *Repeat Finding: 2021-002*

*Recommendation:* We recommend strengthening internal controls to enhance the understanding of generally accepted accounting principles (GAAP) as it relates to the recording of accrual and modified accrual basis of accounting in the governmental and proprietary fund types. Design, document and implement additional internal controls and provide training on accrual/modified accrual basis of accounting and GAAP reporting.

*View of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

### 2022-002 Deficiency in Internal Controls over Preparation of Schedule of Expenditures of Federal Awards (SEFA) – Material Weakness

*Condition:* The District failed to produce an accurate, original SEFA, and in the review process of the SEFA, it was noted an adjustment was required for \$1,161,760.

*Criteria:* 2 CFR part 215 requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Internal controls require that management have procedures in place for identifying Federal, state, and other awards, properly classifying expenditures in the correct programs and under the correct Federal Assistance Listing numbers, and ensuring expenditures reported for federal programs are accurate. In addition, 2 CFR 200.510(b) requires the auditee to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 200.502 Basis for determining Federal awards expended.

*Cause:* The District should have a control in place to provide reasonable assurance that information in the SEFA is accurate, complete, and that all federal expenditures are reported and classified properly for SEFA classification and financial reporting.

*Effect:* Without proper grant awards and expenditures reported on the SEFA, it is impossible to properly assess programs in order to select grants and test in accordance with the Single Audit Act. Also, without proper processes and internal controls to properly track Federal expenditures by grant, the risk of noncompliance and unallowable costs are heightened.

*Recommendation:* We recommend the District enhance the internal control structure to ensure all grant transactions are properly tracked and the SEFA is complete and accurate at year-end for financial reporting.

*View of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

## Purchase Area Development District Schedule of Findings and Questioned Costs (Continued)

### 2022-003 Custodial Credit Risk over Deposits – Material Weakness

*Condition:* The District had significant custodial credit risk as the District had deposits of \$451,204 exposed to credit risk at June 30, 2022.

*Criteria:* The District should have processes and oversight in place to monitor the District's custodial credit risk to comply with Kentucky Revised Statutes (KRS).

*Cause:* Certain internal controls were not in place to prevent or detect the District's custodial risk.

*Effect:* The District's deposits are exposed to credit risk as of June 30, 2022 and are not maintained in accordance with applicable KRS.

*Recommendation:* We recommend the District review the processes and internal controls relating to custody credit risk over deposits to enhance procedures to reduce the risk of the District being exposed to credit risk and to comply with applicable KRS for cash deposits in financial institutions.

*Views of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

### 2022-004 Cash Disbursements Procedures and Internal Controls– Material Weakness

*Condition:* In reviewing the procedures and internal controls over cash disbursements, we noted that the Associate Finance Director has access to the District's general ledger and has the ability to sign checks with a digital signature stamp.

*Criteria:* An employee should not have access to the District's general ledger and assets. When segregation of duties are inadequate, there is a risk that intentional fraud or unintentional errors could occur and go undetected. In addition, 2 CFR 200.303, requires a non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award including proper tracking of grant expenditures or compliance. The District should have segregation of duties in place over the cash disbursements process.

*Cause:* Certain internal controls were not in place to prevent or detect misstatements.

*Effect:* Misstatements could be left undetected and uncorrected in the financial statements due to the lack of segregation of duties in the cash disbursements process.

*Repeat Finding:* 2021-003

## Purchase Area Development District Schedule of Findings and Questioned Costs (Continued)

*Recommendation:* We recommend the District review the processes and strengthen internal controls relating to the cash disbursements process to segregate duties whereby the Associate Finance Director does not have access to the blank check stock and the digital signature stamp.

*Views of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

### 2022-005 Financial Reporting for Loan Programs – Significant Deficiency

*Condition:* The loan programs are not operating in accordance with generally accepted accounting principles (GAAP).

*Criteria:* 2 CFR 200.303, requires a non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award including proper tracking of grant expenditures or compliance.

*Cause:* Certain internal controls were not in place to report loan program activity in accordance with GAAP as interest income is recorded primarily on the cash basis of accounting rather than accrual basis, and the allowance for loan losses lacks supporting documentation to be compliant with GAAP reporting.

*Effect:* There could be improper recognition of interest income and improper reserves for the allowance for loan losses.

*Recommendation:* The District should implement procedures to report interest income using the accrual method of accounting in accordance with GAAP reporting and develop a more robust methodology over the allowance for loan losses.

*Views of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

### 2022-006 Interfund Balances and Reporting – Significant Deficiency

*Condition:* The District's interfund balances (due to/due from) accounts should be used to cover short term cash needs; however, it appears the General Fund is not clearing out the interfund balances in a timely manner to the respective special revenue funds.

*Criteria:* The District should report interfund activity in a timely manner to accurately reflect the interfund activity of the District.

*Cause:* Certain internal controls were not in place to monitor the interfund balances for timely clearing of interfund receivables and payables in the General and Special Revenue funds.

## Purchase Area Development District Schedule of Findings and Questioned Costs (Continued)

*Effect:* The District's cash balances, by fund, could be improperly reflected with interfund balances not being paid timely, and interest income could be improperly allocated to the respective special revenue funds.

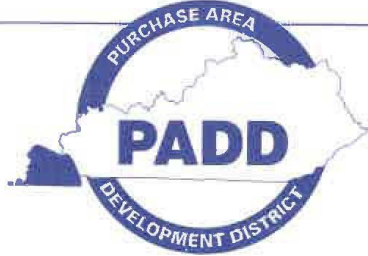
*Recommendation:* When cash is received by the receiving fund, timely entries should reduce interfund balances to the paying fund. The District should implement procedures to post any necessary journal entries to pay the interfund balances in a timely manner.

*Views of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

### **Section III — Federal Award Findings and Questioned Costs**

No items required to be reported.

## Purchase Area Development District Corrective Action Plan



1002 MEDICAL DRIVE  
P.O. BOX 588  
MAYFIELD, KY 42066-0588  
Phone: 270-247-7171  
Fax: 270-251-6110  
purchase.add@purchaseadd.org

### CORRECTIVE ACTION PLAN

January 30, 2023

Kentucky Department for Local Government

The Purchase Area Development District respectfully submits the following corrective action plan for the year ended June 30, 2022.

Carr, Riggs & Ingram LLC  
PO Box 104  
Bowling Green, KY 42102

Audit period: July 1, 2021 – June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### 2022-001 General Ledger Maintenance over Financial Reporting – Material Weakness

*Condition:* Internal controls are not in place to provide reasonable assurance that account balances are fairly stated. During our audit procedures, we noted instances in which the general ledger was not being maintained appropriately, leading to material audit adjustments in the following areas:

- Prior period adjustments were required for unsupported amounts or restatements of:
  - Due to/Due from balances and receivables of \$206,653
  - Accounts payable amounts for \$138,811
  - Notes payable for \$58,000
  - Commodity inventories for \$200,531
- Notes payable were adjusted by \$113,000
- Accrued vacation liabilities were adjusted by \$129,083
- Commodities inventories and associated non-cash values had not been recorded (\$2,173,786 in food expenditures and \$2,099,771 in revenues)
- Unearned revenues were adjusted by \$1,642,463
- Capital assets, with a cost basis of \$555,206 and a net book value of \$48,667 were not recorded on the District's or Jackson Purchase Local Official Organization's (JPLOO) accounting records. JPLOO had not been included in the District's audit as a blended component unit.

Ballard

Calloway

Carlisle

Fulton

Graves

Hickman

Marshall

McCracken

## Purchase Area Development District Corrective Action Plan

### *Corrective Action Plan*

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**Criteria:** Internal controls should be in place that provide reasonable assurance that account balances are fairly stated and all component units are properly presented.

**Cause:** Certain internal controls were not in place to prevent or detect and correct misstatements.

**Effect:** Misstatements could be left undetected and uncorrected in the financial statements.

**Repeat Finding:** 2021-002

**Recommendation:** We recommend strengthening internal controls to enhance the understanding of generally accepted accounting principles (GAAP) as it relates to the recording of accrual and modified accrual basis of accounting in the governmental and proprietary fund types. Design, document and implement additional internal controls and provide training on accrual/modified accrual basis of accounting and GAAP reporting.

**View of Responsible Officials and Planned Corrective Actions:** We agree with this finding and Alana will implement a plan to correct this, implementation date is expected to be 3/30/23. In prior years commodity inventory was not included in the audit, now that we know it should be we will include those values. Accrued vacation liabilities in prior years was calculated by the auditors and put in the adjusting entries, we will now make this adjustment monthly. JPLOO is now being included in the PADD audit so this should not be an issue in future years. CRI is going to assist the PADD in understanding the process and required documentation of the accounts payable, notes payable, and unearned revenues, so that this can be corrected for future years.

#### 2022-002 Deficiency in Internal Controls over Preparation of Schedule of Expenditures of Federal Awards (SEFA) – Material Weakness

**Condition:** The District failed to produce an accurate, original SEFA, and in the review process of the SEFA, it was noted an adjustment was required for \$1,161,760.

**Criteria:** 2 CFR part 215 requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Internal controls require that management have procedures in place for identifying Federal, state, and other awards, properly classifying expenditures in the correct programs and under the correct Federal Assistance Listing numbers, and ensuring expenditures reported for federal programs are accurate. In addition, 2 CFR 200.510(b) requires the auditee to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 200.502 Basis for determining Federal awards expended.

## Purchase Area Development District Corrective Action Plan

### *Corrective Action Plan*

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**Cause:** The District should have a control in place to provide reasonable assurance that information in the SEFA is accurate, complete, and that all federal expenditures are reported and classified properly for SEFA classification and financial reporting.

**Effect:** Without proper grant awards and expenditures reported on the SEFA, it is impossible to properly assess programs in order to select grants and test in accordance with the Single Audit Act. Also, without proper processes and internal controls to properly track Federal expenditures by grant, the risk of noncompliance and unallowable costs are heightened.

**Recommendation:** We recommend the District enhance the internal control structure to ensure all grant transactions are properly tracked and the SEFA is complete and accurate at year-end for financial reporting.

**View of Responsible Officials and Planned Corrective Actions:** We agree with this finding and Alana will implement a plan to correct this, implementation date is expected to be 6/30/23. In prior years the SEFA was completed by the auditing firm. Alana will now complete a draft of the SEFA prior to the audit, so that the audit firm only must make minor adjustments to the report before it is ready for inclusion in the audit.

#### 2022-003 Custodial Credit Risk over Deposits – Material Weakness

**Condition:** The District had significant custodial credit risk as the District had deposits of \$451,204 exposed to credit risk at June 30, 2022.

**Criteria:** The District should have processes and oversight in place to monitor the District's custodial credit risk to comply with Kentucky Revised Statutes (KRS).

**Cause:** Certain internal controls were not in place to prevent or detect the District's custodial risk.

**Effect:** The District's deposits are exposed to credit risk as of June 30, 2022 and are not maintained in accordance with applicable KRS.

**Recommendation:** We recommend the District review the processes and internal controls relating to custody credit risk over deposits to enhance procedures to reduce the risk of the District being exposed to credit risk and to comply with applicable KRS for cash deposits in financial institutions.

**Views of Responsible Officials and Planned Corrective Actions:** We agree with this finding and Alana will implement a plan to correct this, implementation date is expected to be 2/10/23. We have been in contact with the bank to ensure they fully collateralize our funding. The bank is now going to send us a monthly pledge statement showing the collateral pledged to cover our account balances. Alana

## Purchase Area Development District Corrective Action Plan

### *Corrective Action Plan*

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will then look at this report and make sure that the deposits in the bank are fully collateralized each month. This should no longer be an issue in the future.

#### 2022-004 Cash Disbursements Procedures and Internal Controls— Material Weakness

*Condition:* In reviewing the procedures and internal controls over cash disbursements, we noted that the Associate Finance Director has access to the District's general ledger and has the ability to sign checks with a digital signature stamp.

*Criteria:* An employee should not have access to the District's general ledger and assets. When segregation of duties are inadequate, there is a risk that intentional fraud or unintentional errors could occur and go undetected. In addition, 2 CFR 200.303, requires a non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award including proper tracking of grant expenditures or compliance. The District should have segregation of duties in place over the cash disbursements process.

*Cause:* Certain internal controls were not in place to prevent or detect misstatements.

*Effect:* Misstatements could be left undetected and uncorrected in the financial statements due to the lack of segregation of duties in the cash disbursements process.

*Recommendation:* We recommend the District review the processes and strengthen internal controls relating to the cash disbursements process to segregate duties whereby the Associate Finance Director does not have access to the blank check stock and the digital signature stamp.

*Views of Responsible Officials and Planned Corrective Actions:* We agree with this finding and Alana has implement a plan to correct this, implementation date is expected to be 1/23/23. Alana's and Niki's access to the signature stamp will be deleted. We will make the access for signatures be Cathy Holshouser (already has access for PDS checks), Geri Lamb (executive admin assistant) and Stacey Rickman (aging contracts manager).

#### 2022-005 Financial Reporting for Loan Programs – Significant Deficiency

*Condition:* The loan programs are not operating in accordance with generally accepted accounting principles (GAAP).

*Criteria:* 2 CFR 200.303, requires a non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is

## Purchase Area Development District Corrective Action Plan

### *Corrective Action Plan*

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managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award including proper tracking of grant expenditures or compliance.

**Cause:** Certain internal controls were not in place to report loan program activity in accordance with GAAP as interest income is recorded primarily on the cash basis of accounting rather than accrual basis, and the allowance for loan losses lacks supporting documentation to be compliant with GAAP reporting.

**Effect:** There could be improper recognition of interest income and improper reserves for the allowance for loan losses.

**Recommendation:** The District should implement procedures to report interest income using the accrual method of accounting in accordance with GAAP reporting and develop a more robust methodology over the allowance for loan losses.

**Views of Responsible Officials and Planned Corrective Actions:** We agree with this finding and Mike, Niki, & Alana will implement a plan to correct this, implementation date is expected to be 3/30/23. We have purchased a new software to help manage the loan portfolio and better identify payments and interest accrual. We also will begin calculating the interest accrual monthly that is not paid and record that as receivable on the general ledger. We also will be developing a policy for loan loss reserve.

### 2022-006 Interfund Balances and Reporting – Significant Deficiency

**Condition:** The District's interfund balances (due to/due from) accounts should be used to cover short term cash needs; however, it appears the General Fund is not clearing out the interfund balances in a timely manner to the respective special revenue funds.

**Criteria:** The District should report interfund activity in a timely manner to accurately reflect the interfund activity of the District.

**Cause:** Certain internal controls were not in place to monitor the interfund balances for timely clearing of interfund receivables and payables in the General and Special Revenue funds.

**Effect:** The District's cash balances, by fund, could be improperly reflected with interfund balances not being paid timely, and interest income could be improperly allocated to the respective special revenue funds.

**Recommendation:** When cash is received by the receiving fund, timely entries should reduce interfund balances to the paying fund. The District should implement procedures to post any necessary journal entries to pay the interfund balances in a timely manner.

## Purchase Area Development District Corrective Action Plan

*Corrective Action Plan*

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***Views of Responsible Officials and Planned Corrective Actions:*** We agree with this finding and Alana will implement a plan to correct this, implementation date is expected to be 3/30/23. This is part of the backside of the Accufund accounting system and we were not aware exactly how this fully worked. After talking with the Audit firm we understand that this process is basically allocating funds to the programs held in the operating cash bank account. CRI has agreed to come and assist Alana in getting this process flowing correctly.

If the Kentucky Department for Local Government has questions regarding this plan, please call Jeremy Buchanan at 270-247-7171.



Jeremy Buchanan  
Executive Director  
Purchase Area Development District



# THOUGHT LEADERSHIP



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Carr, Riggs & Ingram is committed to fostering an inclusive and diverse place for all employees to work in and engage. When our managing partner and chairman, Bill Carr, signed the CEO Action for Diversity & Inclusion™ pledge, he made a public commitment to building a productive, diverse, and inclusive workplace. [Learn more about CRI's commitment to Diversity and Inclusion.](#)