GATEWAY AREA DEVELOPMENT DISTRICT
Morehead, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

C O N T E N T S

C O N T E N T S

Supplementary Information (continued)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Gateway Area Development District
Morehead, Kentucky

Report on the Financial Statements

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 Gateway Area Development District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gateway Area Development District, as of June 30, 2019, 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.

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Emphasis of Matter – Change in Reporting Model

As discussed in Note 1 to the financial statements, effective July 1, 2018, the District changed its reporting model in order to better conform to the reporting requirements of the Governmental Accounting Standards Board (GASB). This change required a restatement of net position as of July 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and the pension and OPEB schedules on pages 3–7, 36, and 37-40 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Gateway Area Development District's basic financial statements. The accompanying other supplementary grant schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary grant schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary grant schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019 on our consideration of Gateway 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 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 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 Gateway Area Development District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 6, 2019

GATEWAY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Gateway Area Development District (GADD) is a governmental non-profit corporation formed pursuant to Kentucky Revised Statutes (KRS) Chapter 147A. One of fifteen statewide Area Development Districts established in 1969, its mission is basic: to bring local civic and governmental leaders together to accomplish major objectives and take advantage of opportunities which cannot be achieved or realized by those governments acting alone. It also serves as a focal point of a necessary federal-state-local partnership for improvement of the quality of life in the region and the Commonwealth. GADD serves as a forum, clearinghouse, technical center, and a convener for the five-county area of Bath, Menifee, Montgomery, Morgan, and Rowan counties. As outlined in KRS, the ADD acts as the planning and administrative entity for the region.

GADD is governed by a Board of Directors comprised of elected officials from the counties and communities within the District, as well as non-elected citizen members representing a cross-section of the region's social and economic institutions. The office is managed by an Executive Director who reports directly to the Board. Office staff reports to the Executive Director.

GADD is also recognized by the Internal Revenue Service as "Gateway Area Development District, Inc." - a 501(c)(3) tax-exempt organization determined eligible to receive tax-deductible contributions. Due to massive destruction caused by the March 2, 2012 storms and tornados in its region, GADD Inc. currently serves as the fiscal agent for the Morgan County Tornado Relief Fund.

This discussion and analysis narrative provides an overview of GADD's financial performance during the 2019fiscal year, as compared to the prior fiscal year ending June 30, 2018. Please read the following in conjunction with the audited financial statements and the accompanying notes.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditors' report, GADD's audited financial statements (government-wide and by fund), and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. As described in Note 1 to the financial statements, GADD changed reporting models during the year ended June 30, 2019 to the special purpose government – multi-program reporting model. The multi-program reporting model requires the presentation of both government-wide and fund financial statements. The government-wide statements start on page 7. The Statement of Net Position and the Statement of Activities provide information about the activities of GADD as a whole and present a longer-term view of the GADD's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report GADD's operations in more detail than the government-wide statements by providing information about the GADD's most significant funds. The remaining statements provide detail financial information for the benefit of those outside of the government.

GADD's FINANCIAL ANALYSIS

The enclosed financial statements reflect the overall financial condition of GADD for the fiscal year ended June 30, 2019 as summarized in the following table.

Condensed Statement of Net Position

	FY 2019	FY 2018
Current assets	$ 2,711,719	$ 2,532,687
Notes receivable, long term	151,420	247,455
Capital assets	783,131	816,140
Other noncurrent assets	10,132	10,494
Deferred outflows of resources	465,084	593,525
Total assets and deferred outflows	$ 4,121,486	$ 4,200,301
Current liabilities	$ 409,762	$ 400,116
Net pension liability	1,442,976	1,473,219
Net OPEB liability	420,771	505,983
Other Long term liabilities	985,019	1,116,019
Total liabilities	3,258,528	3,495,337
Deferred inflow of resources	205,726	113,328
Net position		
Net investment in capital assets	(146,918)	(237,059)
Restricted for depreciation	59,707	62,577
Restricted for programs	496,072	-
Restricted for economic development	489,385	487,966
Unrestricted	(241,012)	278,152
Total net position	657,232	591,636
Total liabilities, deferred inflows, and net position	$ 4,121,486	$ 4,200,301

At the close of the fiscal year, assets (net of deferred outflows) exceeded total liabilities by $397,874. Total assets (including deferred outflows) decreased $78,815 (1.88%) from June 30, 2018, which is reflective of two primary factors – a 38.81% decrease in Notes Receivable caused by the collection of a large outstanding Revolving Loan and a 21.64% decrease in Deferred Outflows of Resources associated with the state's pension system. Other changes are reflective of normal operations.

GADD's current liabilities at fiscal year-end increased slightly ($9,646 or 2.41%) from June 30, 2018 as a matter of normal operations. There was a significant decrease in other long term liabilities ($131,000 or 11.74%) primarily because GADD elected to pay off the smaller of its three (3) loans with USDA as a means of reducing future interest expense.

Governmental Auditing Standards Board (GASB) requires GADD to recognize a net pension liability, a net OPEB liability, and deferred outflows and inflows of resources. *(See footnote 9 and 10 beginning on page 25)*. These accounts reflect the agency's proportionate share of the state County Employees Retirement System (CERS). The calculations change from year-to-year, and have no bearing on GADD's operations. This recognition decreased the liability accounts by $115,455.

GADD's revenues earned and expenses incurred throughout fiscal year 2019 were in accordance with management's expectations, have been recognized on a full-accrual basis, and are identified in the Statement of Activities. This is the first fiscal year for this particular statement to be prepared, based upon management's decision to begin using the special purpose government – multi-program reporting model (*see Footnote 1*).

Condensed Statement of Activities

	FY 2019	FY 2018
Revenues:		
Charges for services	$ 713,097	$ 594,389
Operating grants and contributions	1,574,291	1,695,864
General revenues (member dues)	48,991	48,991
Total revenues	2,336,379	2,339,244
Expenses:		
General government	10,754	31,983
Community/Economic development	305,812	369,503
Transportation services	92,399	214,416
Aging and independent living services	1,810,760	1,813,994
Interest on long-term debt	42,734	44,975
Other	6,722	14,035
Total operating expenses	2,269,181	2,488,906
Increase (decrease) in net position	67,198	(149,662)
Net assets – beginning of year, as restated	591,636	733,416
Prior year adjustments	(1,602)	7,882
Net Assets – End of Year	$ 657,232	$ 591,636

Revenues are classified to one of three (3) categories. "Charges for Services" includes sources of revenue contributed to GADD's governmental activities (e.g., local funds applied to our Aging programs, miscellaneous performance contract revenue, PDS service fees, KYTC Centerline project service fees, and funds used to cover any program loss) plus revenue contributed to GADD's two business-type activities (i.e. the RLF program and the NHPLP program). "Operating grants and contributions" is comprised of federal and state funds received on behalf of the Joint Funding Administration (JFA) elements, the Aging programs, Kentucky Infrastructure, Regional Transportation, and various other grants. "General revenues" is the annual dues contributed by GADD's cities and counties. A comparison of revenues earned overall in fiscal year ending June 30, 2019 to those earned in June 30, 2018, reflects a very slight decrease ($2,865 or 0.12%) indicating a steady operational flow.

Expenses are identified with one of six (6) functions. "General government" primarily includes expenses related to miscellaneous performance contracts and local operations. "Community/Economic development" represents expenses incurred for the JFA elements and a few other various grants, such as Hazard Mitigation and EDA SOAR. "Transportation services" expenses are associated with the KYTC Regional Transportation contract, the KYTC Roadway Centerline project, and the Kentucky Infrastructure Authority contract. "Aging and independent living services" not only includes expenses directly related to fulfilling GADD's contracts with the state's Department for Aging and Independent Living, plus also expenses related to the Participant Directed and Traditional Case Management services. "Interest on long-term debt" is simply the amount of interest expense for the loans GADD has with the USDA and this amount will decrease each fiscal year. "Other" expenses are those associated with the Revolving Loan Fund and the Nonprofit Housing Production Loan programs, which are also recognized as a business-type activity. Comparing overall expenses incurred in these two fiscal years, there was a $219,725 or 8.83% decrease in 2019. The largest contributing factor is a reduction in the GASB required CERS and OPEB pension-related net adjustments – from $206,840 in fiscal 2018 to $105,384 in fiscal year 2019.

Statement of Operations by Program and Supporting Information (page 48)

This statement is a supplemental schedule (not a part of the financial statements required by the Governmental Accounting Standards Board) that summarizes GADD's revenues by source and expenses by category. The total revenues earned and expenses incurred agrees to the Statement of Activities discussed above, but are classified in a more operational or user-friendly format for management.

	FY 2019	FY 2018
Revenues:		
Federal grant	$ 656,943	$ 686,504
State grant	959,693	1,062,037
Local / service fees	638,698	511,035
Program income	81,045	79,668
Total Revenues	2,336,379	2,339,244
Expenses:		
Salaries	744,190	660,409
Fringe benefits	382,040	329,484
Net pension adjustment	105,384	206,840
Travel	45,804	42,789
Contractual services	423,688	799,182
Other	568,075	450,202
Total Expenses	2,269,181	2,488,906
Excess of Revenues Over(Under) Expenses	**$ 67,198**	**$ (149,662)**

Federal and state revenues represent funds awarded to GADD through contractual agreements which make these amounts vary from one fiscal year to another. During fiscal year 2019, $131,905 (7.54%) less revenue was earned than in fiscal 2018 primarily contributable to the "other grants" itemized on page 47. In fiscal 2018, GADD received a special one-time lump-sum grant to purchase vans and the Hazard Mitigation grant was closed out in 2019.

Local revenue is comprised of various items including matching contributions towards a federal or state funded program, cash donated or generated by the aging program, city/county annual dues, and other miscellaneous receipts. Grouped in this category are also service fees (i.e. revenue from the Participant Directed Services and Traditional Case Management Programs "PDS"). Fiscal year 2019 shows a $127,663 (24.98%) increase in these revenues over those earned in 2018. GADD earned an additional $46,543 in PDS service fees and the Aging programs recognized an additional $58,400 in local revenue.

Program income is money donated by the region's senior citizens toward services received, such as meals or transportation. This source remained as anticipated, having a slight 1.73% increase in fiscal 2019 cash receipts over those received in 2018.

A closer analysis of the expenses shows that personnel costs (salaries plus fringe benefits) increased $136,337 (13.77%) in fiscal year 2019 primarily contributable to employing staff in the Senior Centers and Regional Kitchen for a full year, whereas in fiscal year 2018 GADD only hired temporary employees for approximately 3 months.

Travel expenses associated with business-related trips incurred during fiscal year 2019 increased by $3,015 (7.05%) over those incurred during 2018. Most of GADD's travel is associated with its Aging programs, including PDS services, as staff are required to make home visits to clients. The Aging services travel increased by $2,513 with all other grants or services reflecting a combined $502 increase.

The contractual services category reflects a significant 52.98% ($423,399) decrease in expenses recognized in fiscal 2019 vs. those recognized in fiscal 2018. For many years GADD contracted with a sub-provider agency to manage the Senior Centers and related aging services. This contract ended in March 2018.

All other expenses (i.e. utilities, office expenses, depreciation, telephone, food, supplies, repairs/maintenance, professional fees, insurance, etc.) incurred for operations during fiscal year 2019 increased 36.82% ($165,778)from those attributable to fiscal year 2018. The primary factor is the direct costs of operating each of the five (5) Senior Centers, which until March 2018 was absorbed by the sub-provider agency.

CAPITAL ASSETS

GADD continued its investment in capital assets during fiscal year 2019. The amount is comprised of property, furniture, equipment, vehicles, building and land. Net capital assets decreased slightly (4.04%) and reflected a net balance of $783,131 at June 30, 2019.

	06-30-18 Balance	FY 2019 Additions	06-30-19 Balance
Property and equipment	$ 514,832	$ -	$ 514,832
Building and land	1,109,832	-	1,109,832
Total fixed assets	1,624,663	-	1,624,663
Less: accumulated depreciation	(808,523)	(33,010)	(841,533)
Net	$ 816,141	$ (33,010)	$ 783,131

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

GADD considered many contributing factors when initially setting the fiscal year 2019 budget and continued to monitor it constantly and carefully as the year unfolded. Our Area Development District receives the majority of its funding from federal, state and special contracts. Due to this, a portion of our annual revenue is stable.

The largest change in the 2019 budget was the inclusion of costs necessary to operate our region's Senior Centers and Regional Kitchen. In years past, an independent sub-provider conducted the Senior Center operations via a sub-contract with GADD. This change has greatly impacted our organization and has resulted in increased operational costs which negatively impact the funding we receive from the Department of Aging and Independent Living (DAIL). Given our existing contractual responsibilities, along with the increased costs of operating the region's Senior Centers and Regional Kitchen, our state and federal funding allocations are not keeping pace with our funding needs. It is difficult to manage these aging programs effectively, while maintaining similar levels of service, without anticipating financial losses.

It is crucial that GADD Aging and Community/Economic Development programs receive increased funding at both the federal and state levels to continue providing a high level of service that our board and citizens require and expect. In fiscal year 2020, GADD will continue to explore, develop, and cultivate new contractual opportunities to offset expected shortfalls.

Over the past fiscal years, GADD has realized budget reductions in numerous programs across the organization. Fiscal year 2019 was no exception. Management is optimistic that the new opportunities currently underway, along with additional targeted contacts, fiscal year 2020 and years thereafter will show improvement.

CONTACTING GADD

The financial report is designed to provide GADD's citizens, investors, creditors, and other interested parties with a general overview of the agency's finances and to demonstrate GADD's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Joshua A. Farrow, Executive Director, at 110 Lake Park Drive, Morehead, KY 40351. Mr. Farrow may also be reached by phone at (606) 780-0090 or at joshua.farrow@ky.gov.

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash - unrestricted	$ 1,507,847	$ -	$ 1,507,847
Cash - restricted	149,067	504,189	653,256
Accounts receivable, net	493,288	-	493,288
Prepaid expense	1,561	-	1,561
Restricted notes receivable, current	-	55,767	55,767
Total current assets	2,151,763	559,956	2,711,719
Noncurrent assets			
Notes receivable, net of current portion	-	151,420	151,420
Other noncurrent assets	10,132	-	10,132
Capital assets, net	783,131	-	783,131
Total noncurrent assets	793,263	151,420	944,683
Total assets	2,945,026	711,376	3,656,402
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	337,445	-	337,445
Deferred outflows of resources - OPEB	127,639	-	127,639
Total deferred outflows of resources	465,084	-	465,084
Total assets and deferred outflows of resources	$ 3,410,110	$ 711,376	$ 4,121,486
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	$ 230,343	$ -	$ 230,343
Accrued payroll and payroll taxes	37,256	-	37,256
Accrued interest payable	3,153	-	3,153
Other current liabilities	21,060	-	21,060
Unearned grant revenue	843	-	843
Funds held for Morgan County Tornado Relief Fund	89,361	-	89,361
Notes payable, current portion	19,463	8,283	27,746
Total current liabilities	401,479	8,283	409,762
Long-term liabilities			
Accrued annual leave	38,101	-	38,101
Net pension liability	1,442,976	-	1,442,976
Net OPEB liability	420,771	-	420,771
Long-term debt	910,586	36,332	946,918
Total long-term liabilities	2,812,434	36,332	2,848,766
Total liabilities	3,213,913	44,615	3,258,528
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	103,470	-	103,470
Deferred inflows of resources - OPEB	102,256	-	102,256
Total deferred inflows of resources	205,726	-	205,726
Net position			
Net investment in capital assets	(146,918)	-	(146,918)
Restricted for depreciation	59,707	-	59,707
Restricted for programs	496,072	-	496,072
Restricted for economic development	-	489,385	489,385
Unrestricted	(418,390)	177,376	(241,014)
Total net position	(9,529)	666,761	657,232
Total liabilities, deferred inflows of resources, and net position	$ 3,410,110	$ 711,376	$ 4,121,486

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

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
for the year ending June 30, 2019

			Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
Functions/Programs	**Direct Expenses**	**Indirect Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:								
Governmental activities								
General government	$ 10,754	$ -	$ 24,913	$ -	$ -	$ 14,159	$ -	$ 14,159
Community/Economic development	205,405	100,407	53,978	250,168	-	(1,666)	-	(1,666)
Transportation services	62,139	30,260	6,124	119,247	-	32,972	-	32,972
Aging and independent living services	1,463,501	347,259	619,291	1,204,876	-	13,407	-	13,407
Interest on long-term debt	42,734	-	-	-	-	(42,734)	-	(42,734)
Total governmental activities	1,784,532	477,926	704,306	1,574,291	-	16,139	-	16,139
Business-type activities:								
Revolving loan funds	4,618	2,105	8,791	-	-	-	2,068	2,068
Total business-type activities	4,618	2,105	8,791	-	-	-	2,068	2,068
Total primary government	$ 1,789,150	$ 480,031	$ 713,097	$ 1,574,291	$ -	16,139	2,068	18,207
			General revenues:					
			Member dues			48,991	-	48,991
			Total general revenues			48,991	-	48,991
			Total general revenues and transfers			48,991	-	48,991
			Change in Net Positon			65,130	2,068	67,198
			Net position-beginning			(73,057)	664,693	591,636
			Prior year adjustments			(1,602)	-	(1,602)
			NET POSITION-ENDING			$ (9,529)	$ 666,761	$ 657,232

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

GATEWAY AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Special Revenue Funds	Total Government Funds
ASSETS			
Current assets			
Cash - unrestricted	$ 1,356,387	$ 151,460	$ 1,507,847
Cash - restricted	89,360	59,707	149,067
Accounts receivable, net	21,190	472,098	493,288
Prepaid expense	1,562	-	1,562
Total assets	$ 1,468,499	$ 683,265	$ 2,151,764
LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	$ 102,855	$ 127,486	$ 230,341
Accrued payroll and payroll taxes	37,256	-	37,256
Other current liabilities	21,060	-	21,060
Unearned grant revenue	843	-	843
Funds held for Morgan County Tornado Relief Fund	89,361	-	89,361
Total liabilities	251,375	127,486	378,861
Fund balances			
Nonspendable	1,562	-	1,562
Restricted for programs	-	496,072	496,072
Restricted for depreciation	-	59,707	59,707
Unassigned	1,215,562	-	1,215,562
Total fund balance	1,217,124	555,779	1,772,903
Total liabilities and fund balance	$ 1,468,499	$ 683,265	$ 2,151,764

Total government fund balances	$ 1,772,903
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, net of accumulated depreciation	783,131
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds	10,132
Accrued interest payable on long-term debt	(3,153)
Long-term liabilities and related pension and OPEB deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds	(2,572,542)
Net position of governmental activities	$ (9,529)

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

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	General Fund	Special Revenue Funds	Total Government Funds
REVENUES			
Federal	$ -	$ 657,731	$ 657,731
State	44,196	915,497	959,693
Local / service fees (includes in-kind and program income)	73,904	636,260	710,164
Total revenues	118,100	2,209,488	2,327,588
EXPENDITURES			
General government	8,484	-	8,484
Community/economic development	31,958	247,892	279,850
Transportation services	-	83,619	83,619
Aging and independent living services	-	1,708,876	1,708,876
Debt service	168,087	-	168,087
Total expenditures	208,529	2,040,387	2,248,916
Excess (deficiency) of revenues over (under expenditures)	(90,429)	169,101	78,672
OTHER FINANCING SOURCES (USES)			
Transfers in	-	21,387	21,387
Transfers out	(7,905)	(13,482)	(21,387)
Total other financing sources (uses)	(7,905)	7,905	-
Net change in fund balances	(98,334)	177,006	78,672
Fund balances - beginning	1,315,458	378,773	1,694,231
FUND BALANCES - END OF YEAR	$ 1,217,124	$ 555,779	$ 1,772,903

Net change in fund balances - total governmental funds	$ 78,672
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Depreciation expense	(33,010)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	125,353
Change in accrued annual leave	(499)
Change in the net pension and OPEB liabilities and related deferred inflows and outflows	(105,386)
Change in net position of governmental activities	$ 65,130

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities		
	EDA Revolving Loan Fund	**NHPLP Revolving Loan Fund**	**Total Proprietary Funds**
ASSETS			
Current assets			
Cash - restricted	$ 476,905	$ 27,284	$ 504,189
Restricted notes receivable, current	52,877	2,890	55,767
Total current assets	529,782	30,174	559,956
Restricted notes receivable, net	122,735	28,685	151,420
Total assets	$ 652,517	$ 58,859	$ 711,376
LIABILITIES			
Current liabilities			
Notes payable, current portion	$ -	$ 8,283	$ 8,283
Long-term liabilities			
Long-term debt	-	36,332	36,332
Total liabilities	-	44,615	44,615
LIABILITIES AND NET POSITION			
Net position			
Restricted for economic development	475,141	14,244	489,385
Unrestricted	177,376	-	177,376
Total net position	652,517	14,244	666,761
Total liabilities and net position	$ 652,517	$ 58,859	$ 711,376

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

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Business-type Activities		
	EDA Revolving Loan Fund	**NHPLP Revolving Loan Fund**	**Total Proprietary Funds**
REVENUES			
Local / service fees	$ 409	$ 24	$ 433
Program income	7,276	1,082	8,358
Total operating revenues	7,685	1,106	8,791
EXPENSES			
Salaries	2,391	-	2,391
Fringe benefits	1,537	-	1,537
Other	212	478	690
Shared costs	2,105	-	2,105
Total operating expenses	6,245	478	6,723
Operating income	1,440	628	2,068
Transfer in (out)	-	-	-
Increase in net position	1,440	628	2,068
Net position - beginning	651,077	13,616	664,693
Net position - END OF YEAR	$ 652,517	$ 14,244	$ 666,761

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

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Other receipts	$	8,791
Payments to suppliers and providers of goods and services		(2,795)
Payments to employee services and benefits		(3,928)
Net cash provided by operating activities		2,068
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES ACTIVITIES		
Payments received on notes receivable		94,364
Payments made on long-term debt		(9,488)
Net cash (used in) noncapital related financing activities		84,876
Net increase in cash		86,944
Cash - beginning of the year		417,245
CASH - END OF THE YEAR	$	504,189
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	2,068
Net cash provided by operating activities	$	2,068

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Gateway Area Development District (the "District") is a governmental non-profit corporation formed pursuant to KRS Chapter 147A which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of a five-county area consisting of the counties of Rowan, Bath, Morgan, Menifee and Montgomery. The sixteen-member Board of Directors is composed of officials of political subdivisions and private citizens within the District. Executive Order 71-1267, signed May 1969, designated the District as the official comprehensive planning and program development agency for Eastern Kentucky. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95 known in Kentucky as KIRP, Kentucky Intergovernmental Review Process. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423) which created and established the District under Kentucky law.

The purpose of the District is to promote, protect and develop the economy, health, education and general welfare and to implement projects for the people of the counties included in the District, and to further act in conjunction with adjoining area development districts in the Northeastern Kentucky area.

In evaluating how to define the government for financial reporting purposes, management of the District has considered all potential component units. The criteria for including a potential component unit within the reporting entity is (1) ability to exercise oversight responsibility, (2) scope of public services, and (3) special financing relationships. Based upon these criteria, management has not included any component units as part of the reporting entity.

Basis of Presentation

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

During the year ended June 30, 2019, the District's management completed an assessment of the District's operations and determined that a change in reporting model should be made to better conform to the reporting requirements established by GASB.

The following is a summary of the basis of presentation:

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The District has the following funds:

<u>Government Fund Types</u>

- The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use, unless otherwise noted. This is always a major fund of the District.

- The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources that are restricted to disbursements for specified purposes. The Special Revenue Fund includes JFA (Joint Funding Agreement), Transportation, Aging, Participant Directed Services (PDS) and other grant programs. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

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

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – The governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

Revenue Recognition Policies – Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services.

Nonexchange 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

Revolving Loan Notes Receivable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Effective July 2016, full-time employees working 37.5 hours a week start accruing leave on the first day of the pay period following a 3-month waiting period. The amount of annual leave hours received is based on the employee's length of service or as specified in a written employment offer. Temporary and part-time employees earn no benefits. Annual leave can be carried forward from one year to the next. On June 30th of each fiscal year, the accumulated sick leave balance shall not exceed 675 hours and accumulated annual leave shall not exceed the maximum stated in the District's Employee Handbook applicable to the employee's length of service, unless granted special permission by the Executive Director or Board of Directors.

The accrued leave liability for accumulated annual leave reported in the statement of net position at June 30, 2019 was $38,101.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit at financial institutions.

Allowance for Doubtful Accounts

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

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings and improvements	10-40 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Automobiles	5 years
Computers and technology	3-5 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

Each year, the District adopts an annual budget that is approved by its Board of Directors prior to July 1st. This budget is required to be filed on the Department of Local Government's website prior to July 15th for the upcoming fiscal year. Budgetary restrictions apply primarily at the grant level. The District utilizes the budget as an operational and management tool and a cost allocation plan is approved by the Department for Local Government. The budget is approved by the board of directors and reports are presented to the board and management using budget comparisons. Within sixty days after the fiscal year is complete, the District is required to submit financials that compares actual expenses to the adopted budget also via the Department of Local Government's website.

In-Kind

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

Deferred Outflows/Inflows of Resources

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

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

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's 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. Investments are reported at fair value.

Net Position

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances:

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

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

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

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

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

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports an unassigned fund balance amount.

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

Operating Revenues and Expenses

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

Cost Allocation Plan

Gateway Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms to 2 CFR Part 225. A summary of the cost allocation plan begins on page 21. The District is in conformity with 2 CFR Part 225.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, 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.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 6, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2019, have not been evaluated by the District.

2. COST ALLOCATION PLAN

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan. All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in 2 CFR Part 225, Uniform Guidance (formerly OMB Circular A-87 and A-133) as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purpose benefiting more than one grant and/or program element. All costs are recognized under the provisions of 2 CFR Part 225, Uniform Guidance (formerly OMB Circular A-I02). Below is a listing of direct and shared costs as they are charged by the District.

1. Salaries - The salaries of all employees, both professional and supportive, are charged directly to program elements based on the amount of actual time attributable to each, in accordance with the bi-weekly time sheet. Significant hours expended are recognized as a direct cost to the respective program element(s) in which the employee worked. Central administrative staff (including the Executive Assistant, Staff Assistant, Finance Officers and Executive Director's time) is customarily and primarily charged as shared. If an unusual amount of time is expended towards a specific element(s), or if these employees serve in a dual-role they may charge hours directly to those programs accordingly - as deemed appropriate and necessary by the Executive Director. All program planners and coordinators salaries are charged as direct costs to the respective program element(s) in which they work. If these employees also assist with overall office-wide tasks (such as web page maintenance or providing computer and technical support), those hours are charged as shared.
2. Employee Burden - The word "burden" refers to District paid fringe benefits. Burden is charged in like manner as the employee's salary by its proportionate share and is automatically calculated via the payroll software. All employee burden (e.g. FICA, workman' s compensation, retirement, health insurances, etc.) which can be specifically related to an employee whose salary is being charged as a direct cost is also charged a direct cost. The employee burden related to an employee whose salary is charged as a shared cost is charged as a shared cost. If an employee burden cost cannot be broken down by a specific element or employee with an acceptable degree of accuracy (such as the burden associated with used vacation hours), it is charged as a shared cost.
3. Shared Costs - The shared cost pool is comprised of costs that either (a) cannot be attributed directly to a program (b) relates to all the work that the District performs (c) is general administrative by nature or (d) relates to District facilities. At the end of each month, this pool of shared cost is distributed among the work elements directly in relation to the total personnel cost for the staff working in the program.
4. Consulting Contracts - Generally, contracts or sub-contracts, including those for personal services, which the District executes with a third party can be identified to a specific program element and therefore, becomes a direct cost of said program. All consultant contracts are charged as direct cost to the program element to which the work relates.
5. Printing and Publications - Printing which is directly attributable to a specific work element is charged as a direct cost to the element, and consideration has been given to those direct costs in preparing the budget. Publications, whether prepared in-office or out-of-the office, are charged to those specific work elements to which they apply. Ads, notices of hearing, etc. that must be printed as legal notices are charged as direct costs where they can be identified in a sufficient amount. Advertising incurred to recruit new personnel is charged to the work element for which the position relates. In areas where the cost is minor or may benefit numerous work elements, the cost may be charged as shared. Miscellaneous or office-wide needs (envelopes, checks, letterhead, etc.) are charged as a shared cost.

2. COST ALLOCATION PLAN (CONTINUED)

6. Travel - Business-related travel costs are incurred for a specific purpose. All approved travel expenses are charged against the same program or element for which the employee's time is charged, as supported by his/her timesheet. Due to the limited number of staff and funds available, staff persons frequently utilize trips to cover more than one work element. If determined appropriate and necessary by the Executive Director, an employee whose travel pertains to more than one work element and can specifically identify those work elements, may also charge the cost to more than one work element.
7. Board Travel - Board members who travel pertaining to a specific element, charges travel to that work element for which the travel expense is incurred. Any travel that does not pertain to a certain work element will be charged as a shared cost.
8. Vacation Leave - At the end of each month, the cost associated with the full-time employees' earned vacation hours is charged to leave accrual accounts. The accounting software then allocates a proportionate share of the total monthly amount to each element for which the employee worked during that month. Vacation earned, which pertains to shared cost salaries, is also charged as shared cost. These provisions permit the correct charging of each element and assure that each grant fund is charged equitably for vacation accrual.
9. Audit and Accounting Fees - Costs related to the District's annual external audit, performed by an independent CPA firm, are charged as a shared cost. The accounting system then permits each element to accept its proportionate amounts of charges. Any additional charges that are directly related to extra work in a specific element will be charged directly to the program.
10. Space Cost - Space-related expenses and routine repair and maintenance is charged as a shared cost unless otherwise determined by the Executive Director to be exclusively for a specific work element. The District's mortgage payment, utilities, insurance depreciation, cleaning and general upkeep or repairs are included as shared cost.
11. Telephone/Internet - Generally telephone and internet charges are charged as a shared cost. If a particular grantee requires a special service (such as a toll-free number, dedicated line, or conference call) that cost will be charged directly to the corresponding work element.
12. Fixed Asset Additions - General-purpose non-consumable items (such as buildings, vehicles, equipment, or computers) are capitalized and depreciated via the straight-line method over the asset's useful life. Depreciation is charged monthly as a shared cost. Equipment or other capital purchases are not charged as a shared cost.
13. Equipment-Rental/Lease/Maintenance - All equipment rentals purchases, and maintenance costs are charged as shared cost unless the corresponding piece of equipment is used exclusively by a specific element or grant award.
14. Supplies/Material/Postage - The Staff Assistant purchases commonly used items to keep in a central location accessible by all employees. These items are charged as a shared cost. Other items that are identifiable with a specific program area are charged directly to that work element.
15. Meetings and Conferences - The cost associated with hosting a meeting or conference (food, materials, etc.) for which the primary purpose is the dissemination of technical information is charged to the work element for which it relates. If the meeting benefits the entire agency, such as the District's board meetings, the costs is charged as shared. If determined appropriate and necessary by the Executive Director, meetings serving a dual-purpose may be charged to more than one work element.

2. COST ALLOCATION PLAN (CONTINUED)

16. Dues/Subscriptions/Memberships - The majority of these costs is for the agency as a whole, or for the Executive Director, and is recognized as a shared cost. If the item relates to a specific employee, such as a required licensure, the cost is charged as a direct cost to their primary work element.

All additional costs not identified above are charged as (a) a direct cost if specifically identifiable with a particular element or (b) as a shared cost if incurred for a common or joint purpose benefiting more than one element and is not readily assignable.

3. GRANTS RECEIVABLE

Federal and state receivables are expected to be fully collectible. Federal and state grants receivable consists of the following as of June 30, 3019:

Aging	$ 292,946
PDS	113,001
JFA	51,166
Transportation	12,096
Other	2,889
Various local	21,190
Total	$ 493,288

4. LOANS RECEIVABLE

The Revolving Loan Program was established by initial grants from the U.S. Department of Commerce, Economic Development Administration. The District received a grant of $500,000 to establish a revolving loan program to assist high-risk small businesses in local communities and stimulate economic development in the area. In addition, the District provided a local match of $167,000, as required by the grant. At June 30, 2019, the District financial statements include revolving loans receivable of $213,099 and cash of $476,904.

The Nonprofit Housing Production Loan Programs' (NHPLP) funding originates from the Kentucky Housing Corporation to provide loans to purchase or rehabilitate homes for low-income individuals. Outstanding loans receivable as of June 30, 2019 were as follows:

Revolving loans - business	$ 213,099
NHPLP	50,644
Total loans	263,743
Less: allowance for NHPLP	(19,069)
Less: allowance for RLF	(37,487)
Net loans	207,187
Less: current portion	(55,767)
Long-term portion of loans	$ 151,420

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	06/30/18	Additions	Deductions	06/30/19
Land, not being depreciated	$ 18,500	$ -	$ -	$ 18,500
Assets being depreciated:				
Buildings	1,091,332	-	-	1,091,332
Equipment	514,832	-	-	514,832
Totals at historical cost	1,624,664	-	-	1,624,664
Less: accumulated depreciation	(808,523)	(33,010)	-	(841,533)
Capital assets, net	$ 816,141	$ (33,010)	$ -	$ 783,131

Depreciation expense was charged as direct expense to programs of the District as follows:

General government	$ 24
Community/Economic development	6,926
Transportation services	2,101
Aging and independent living services	23,959
Total	$ 33,010

6. LONG-TERM DEBT

A summary of activity in long-term debt obligations is as follows:

Description	Balance at June 30, 2018	Issued	Payments	Balance at June 30, 2019
Business-type activities:				
Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2025	$ 54,560	$ -	$ 9,944	$ 44,614
Governmental activities:				
USDA Rural Development, secured by office building, $100,000, interest at a rate of 4.125%, paid off in 2019	92,410	-	92,410	-
USDA Rural Development, secured by office building, 2 loans of $550,000, interest at a rate of 4.125%, due June, 2047	960,789	-	30,739	930,050
	$ 1,107,759	$ -	$ 133,093	$ 974,664

6. LONG-TERM DEBT (CONTINUED)

Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2019:

Year	Principal	Interest	Total
2020	$ 27,746	$ 38,811	$ 66,557
2021	27,750	37,925	65,675
2022	28,112	37,014	65,126
2023	27,822	36,074	63,896
2024	27,433	35,109	62,542
2025-2029	140,792	159,899	300,691
2030-2034	158,328	130,812	289,140
2035-2039	193,791	95,349	289,140
2040-2044	237,197	51,943	289,140
2045-2047	105,693	6,514	112,207
Totals	$ 974,664	$ 629,450	$ 1,604,114

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019
Compensated absences	$ 38,600	$ -	$ 499	$ 38,101
Long-term debt	1,107,759	-	133,095	974,664
Net pension liability	1,473,219	-	30,243	1,442,976
Net OPEB liability	505,983	-	85,212	420,771
	$ 3,125,561	$ -	$ 249,049	$ 2,876,512

7. DEPRECIATION RESERVES

The notes payable to the United States Department of Agriculture - Rural Development require depreciation reserve accounts be established. The District is currently required to maintain a balance in the reserve account of $59,400. The balance in the reserve at June 30, 2019 was $59,407.

8. CONCENTRATIONS

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

9. PENSION PLAN

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

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

9. PENSION PLAN (CONTINUED)

Contributions – For the year ended June 30, 2019, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2019, the District contributed $150,346, or 100% of the required contribution. The contribution was allocated $113,529 to the CERS pension fund and $36,817 to the CERS insurance fund.

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

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

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

9. PENSION PLAN (CONTINUED)

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability of $1,442,976. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2018 was .023693 percent, which was a decrease of .001476 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $212,747. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 47,066	$ 21,122
Changes of assumptions	141,021	-
Net difference between projected and actual earnings on Plan investments	-	17,303
Changes in proportion and differences between District contributions and proportionate share of contributions	35,829	65,045
District contributions subsequent to the measurement date	113,529	-
Total	$ 337,445	$ 103,470

The $113,529 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	$ 105,161
2021	$ 49,256
2022	$ (26,226)
2023	$ (7,745)

9. PENSION PLAN (CONTINUED)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

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 nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	**17.50%**	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	**17.50%**	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	**100.00%**	**6.09%**

9. PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	$ 1,816,557
Current discount rate	6.25%	$ 1,442,976
1% increase	7.25%	$ 1,129,980

Payable to the Pension Plan – At June 30, 2019, the District reported a payable of $14,586 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, of which $11,014 was allocated to the CERS pension fund. The payable includes only the pension contribution allocation.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers 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 Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the District contributed $36,817, or 100% of the required contribution.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the District reported a liability for its proportionate share of the net OPEB liability of $420,771. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District’s proportionate share at June 30, 2018 was .02369 percent, which was a decrease of .001476 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of $49,248. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ -	$ 49,035
Changes of assumptions	84,034	972
Net difference between projected and actual earnings on Plan investments	-	28,983
Changes in proportion and differences between District contributions and proportionate share of contributions	-	23,266
District contributions subsequent to the measurement date	43,605	-
Total	$ 127,639	$ 102,256

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The $43,605 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. This includes an adjustment of $6,788 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,		
2020	$	(2,935)
2021	$	(2,935)
2022	$	(2,935)
2023	$	2,694
2024	$	(8,079)
2025	$	(4,032)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend Pre – 65:	Initial trend starting at 7.00% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 5.00% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	**17.50%**	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	**17.50%**	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	**100.00%**	**6.09%**

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the Company's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Company's proportionate share of the net pension liability calculated using the discount rate as well as what the Company's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2018:

	Discount rate	District's proportionate share of net OPEB liability
1% decrease	4.83%	$ 546,514
Current discount rate	5.83%	$ 420,771
1% increase	6.83%	$ 313,661

Sensitivity of the Company's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the Company's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates at June 30, 2018:

	District's proportionate share of net OPEB liability
1% decrease	$ 313,268
Current trend rate	$ 420,771
1% increase	$ 547,486

Payable to the Pension Plan – At June 30, 2019, the District reported a payable of $3,572 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019. The payable includes only the insurance contribution allocation.

11. CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was $2,161,105. The bank balance totaled $2,255,218 of which $500,000 was covered by Federal depository insurance, with the remainder covered by collateral.

12. 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 are considered not to have been used for the intended purpose the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

13. INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

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 for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

15. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

16. LEASE COMMITMENTS

The District has operating leases for office equipment. Rental expense for the year ending June 30, 2019 was $14,391.

Future minimum lease payments under operating leases as of June 30, 2019 are as follows:

Year	Amount
2020	$ 10,123
2021	10,124
2022	7,325
	$ 27,572

17. UNEARNED REVENUE

Unearned revenue includes revenues received, but not earned under the following programs, as of June 30, 2019:

Melodies & Memories	$ 14
JFA	788
MIPPA	41
	$ 843

18. RELATED PARTY TRANSACTIONS

The District provides fiscal management services to Gateway PDS Program as Fiscal Agent (GADD PDS). GADD PDS operates the Participant Directed Services program for the Cabinet for Health and Family Services and the Department of Aging and Independent Living (DAIL) for the Gateway Area District. Waiver clients have the option to choose PDS at any time. The District serves as the fiscal agent for the client and as a support broker. For support broker, the District earns $162.50 per client visit made by District staff. Additionally, traditional case management fees for support broker services are $100 per visit. For financial management, the District earns $162.50 per month per client. For medical goods, the PDS program bills the state for actual costs when the need is determined. For payroll, claims are submitted to the state after each payroll is processed.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended June 30, 2019, the District earned $380,351 from the PDS program for administration and the District was owed $113,001 by the PDS program.

19. PRIOR YEARS GRANT ACTIVITY

Adjustments have been made as a result of prior year activities totaling $1,602, during the year ended June 30, 2019:

20. FUNDS HELD FOR MORGAN COUNTY TORNADO RELIEF FUND

The District acts as the fiscal sponsor for the Morgan County Tornado Relief Fund. As of June 30, 2019, the District held $89,361, in donations for the Morgan County Tornado Relief Fund which are included in restricted cash and a like amount as the liability Funds Held for Morgan County Tornado Relief Fund. The fund was established to assist residents of Morgan County who are victims of the March 2, 2012 tornado. Charitable contributions to the Morgan County Tornado Relief Fund are tax-deductible under section 170(c)(l) of the Internal Revenue Code, since made for a public purpose.

During the year ended June 30, 2019, the District determined that $88,961 would be transferred to the Morgan County Cemetery Board, once it establishes its 501(c)(3) non-profit status. These funds will be used to maintain private cemetery access roads throughout Morgan County.

21. BEGINNING FUND BALANCE

As described in Note 1 to the financial statements, the District changed reporting models during the year ended June 30, 2019. This change in reporting model requires the use of fund financial statements that are presented on the modified accrual basis of accounting. The following table reconciles the District's net position as of June 30, 2018 to the beginning governmental funds – fund balance:

Total net position, as of June 30, 2018	$	591,636
Less: business-type activities fund balance as of June 30, 2018		(664,694)
Less: write-off of prior year deferred income		(1,602)
Less: capital assets, net		(816,140)
Less: long-term assets deferred in funds		(10,494)
Long-term liabilities and related pension and OPEB deferred inflows/outflows		2,590,168
Accrued interest payable on long-term debt		5,357
Beginning fund balance – governmental funds	$	1,694,231

REQUIRED SUPPLEMENTARY INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
for the year ended June 30, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Federal	$ 689,927	$ 689,927	$ 657,731	$ (32,196)
State	974,146	974,146	959,693	(14,453)
Local / service fees	642,902	642,902	710,164	67,262
Total revenues	2,306,975	2,306,975	2,327,588	20,613
EXPENDITURES				
Salaries	740,925	740,925	741,799	(874)
Fringe benefits	370,823	370,823	380,503	(9,680)
Travel	49,999	49,999	45,590	4,409
Contracts	504,727	504,727	375,783	128,944
Other	449,175	449,175	537,154	(87,979)
Debt service	-	-	168,087	(168,087)
Total expenditures	2,115,649	2,115,649	2,248,916	(133,267)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	21,387	(21,387)
Transfers out	-	-	(21,387)	21,387
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over (under expenditures)	191,326	191,326	78,672	(112,654)
Fund balance, July 1, 2018	1,694,231	1,694,231	1,694,231	-
Fund balance, June 30, 2019	$ 1,885,557	$ 1,885,557	$ 1,772,903	$ (112,654)

Notes to the Budgetary Comparison Schedule:

The District prepares the budget for the General and Special Revenue Funds on the accrual basis. As a result, the budget did not include debt service expenditures.

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Five Fiscal Years

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.023693%	0.025169%	0.023049%	0.026358%	0.023757%
District's proportionate share of the net pension liability (asset)	$ 1,442,976	$ 1,473,219	$ 1,142,524	$ 1,133,285	$ 771,000
District's covered employee payroll	$ 582,071	$ 618,456	$ 553,557	$ 614,979	$ 545,052
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	247.904%	238.209%	206.397%	184.280%	141.454%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%

Notes:
There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - PENSION
Last Six Fiscal Years

	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 113,529	$ 81,535	$ 86,300	$ 68,750	$ 78,414
Contributions relative to contractually required employer contribution	113,529	81,535	86,300	68,750	78,414
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 700,070	$ 582,071	$ 618,456	$ 553,557	$ 614,979
Employer contributions as a percentage of covered-employee payroll	16.22%	14.01%	13.95%	12.42%	12.75%

	2014
Contractually required employer contribution	$ 74,890
Contributions relative to contractually required employer contribution	74,890
Contribution deficiency (excess)	$ -
District's covered employee payroll	$ 545,052
Employer contributions as a percentage of covered-employee payroll	13.74%

Notes:
There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Three Fiscal Years

	2019	2018	2017
District's proportion of the net OPEB liability	0.023693%	0.025169%	0.023049%
District's proportionate share of the net OPEB liability (asset)	$ 420,771	$ 505,983	$ 396,878
District's covered employee payroll	$ 582,071	$ 618,456	$ 553,557
District’s share of the net OPEB liability (asset) as a percentage of its covered employee payroll	72.29%	81.81%	71.70%
Plan fiduciary net position as a percentage of the total pension liability	57.62%	52.39%	unavailable

Notes:
There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - OPEB
Last Six Fiscal Years

	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 36,817	$ 30,461	$ 29,262	$ 25,684	$ 30,259
Contributions relative to contractually required employer contribution	36,817	30,461	29,262	25,684	30,259
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 700,070	$ 582,071	$ 618,456	$ 553,557	$ 614,979
Employer contributions as a percentage of covered-employee payroll	5.26%	5.23%	4.73%	4.64%	4.92%

	2014
Contractually required employer contribution	$ 28,003
Contributions relative to contractually required employer contribution	28,003
Contribution deficiency (excess)	$ -
District's covered employee payroll	$ 545,052
Employer contributions as a percentage of covered-employee payroll	5.14%

Notes:
There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS OPEB fund.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

SUPPLEMENTARY INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2019

INDIRECT EXPENDITURES:	
Salaries	$ 149,442
Fringe benefits	80,145
Travel	8,555
Legal and accounting	32,474
Equipment, leases, depreciation and amortization	53,317
Office expense	8,331
Postage	197
Telephone and utilities	24,830
Committee meetings	1,827
Dues, fees and subscriptions	14,796
Insurance	32,203
Interest	42,734
Repairs and maintenance	14,506
Contract services	13,343
Other	3,331
Total	$ 480,031
ALLOCATION OF SHARED COSTS:	
Joint Funding Administration	$ 88,250
Aging programs	250,574
Hazard mitigation	1,111
Participant Directed Services Program	87,814
Traditional Case Management	8,871
KYTC roadway and operations	1,992
KY Infrastructure Authority	17,337
EDA SOAR Initiative BSADD	774
Transportation planning	10,931
Revolving loan program	2,105
Performance contracts	10,272
Total	$ 480,031

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ending June 30, 2019

		Budget	Direct	Indirect	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		$ 135,201			$ 135,201	$ -	
State Funds		111,818			111,818	-	
Local Funds		-			9,782	9,782	
		247,019			256,801	9,782	
Expenses							
Community & Economic Planning & Development	120	84,125	54,054	29,280	83,334	(791)	
Community Development Block Grant	125	18,043	12,048	5,994	18,042	(1)	
ARC Planning	130	116,110	82,393	42,951	125,344	9,234	
Management Assistance	140	10,184	11,488	3,552	15,040	4,856	
Program Administration	150	18,557	8,568	6,472	15,040	(3,517)	-
		247,019	168,551	88,250	256,801	9,782	$ -
Revenues over Expenses		$ -			$ -	$ -	

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT AREA AGENCY ON AGING
for the year ended June 30, 2019

	Aging Adminis- tration	Support Services B	Ombuds- mans - B	Cong. Meals C-1	H.D Meals C-2	Health Prevention D	Caregiver E	Ombuds- man - VII	Elder Abuse VII	Senior Centers	Regional Kitchen
Revenues											
Federal grant	$ -	$ 92,901	$ 14,800	$ 170,991	$ 84,504	$ 2,815	$ 45,569	$ 2,843	$ 1,534	$ -	$ -
State grant	-	7,806	-	27,218	24,878	-	18,086	-	-	-	-
Local	-	6,029	-	5,830	177,161	-	-	502	271	-	-
Program income	-	1,199	-	20,770	1,484	-	-	-	-	-	-
Local funds applied	-	-	-	-	251	-	-	-	-	-	-
Total revenues	-	107,935	14,800	224,809	288,278	2,815	63,655	3,345	1,805	-	-
Expenses											
Direct expenses:											
Salaries	41,564	13,086	-	-	-	-	5,927	-	-	114,409	64,754
Fringe benefits	26,407	7,321	-	-	-	-	3,781	-	-	49,190	27,993
Travel	2,243	1,956	-	-	-	-	547	-	-	1,957	17
Contracts	14	21,581	14,800	331	202	-	619	3,345	1,805	-	-
Other	7,490	21	-	135	-	2,181	41,203	-	-	71,518	131,275
Total direct expenses	77,718	43,965	14,800	466	202	2,181	52,077	3,345	1,805	237,074	224,039
Shared costs	36,428	10,937	-	-	-	-	5,203	-	-	87,680	49,706
Total expenses	114,146	54,902	14,800	466	202	2,181	57,280	3,345	1,805	324,754	273,745
Intrafund transfers in (out)	114,146	(53,033)	-	(224,343)	(288,076)	(634)	(6,375)	-	-	324,754	273,745
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT AREA AGENCY ON AGING
for the year ended June 30, 2019

	Homecare		Personal					
	Adminis-tration	Social Services	Care Program	NSIP	Medicaid ADRC	SHIP	LTC Ombudsman	FAST
Revenues								
Federal grant	$ -	$ -	$ -	$ 45,839	$ 5,040	$ 24,983	$ -	$ 1,000
State grant	34,267	273,512	266,261	-	5,040	-	29,298	-
Local	-	25,200	-	-	-	-	-	-
Program income	-	243	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-
Total revenues	34,267	298,955	266,261	45,839	10,080	24,983	29,298	1,000
Expenses								
Direct expenses:								
Salaries	5,590	59,799	-	-	4,856	-	-	-
Fringe benefits	3,596	25,311	-	-	3,592	-	-	-
Travel	-	16,021	-	-	-	-	-	-
Contracts	-	847	239,635	-	2,345	22,167	27,989	-
Other costs	-	48,931	-	45,839	-	1,650	1,309	1,000
Total direct expenses	9,186	150,909	239,635	45,839	10,793	23,817	29,298	1,000
Shared costs	4,923	45,614	-	-	4,528	-	-	-
Total expenses	14,109	196,523	239,635	45,839	15,321	23,817	29,298	1,000
Intrafund transfers in (out)	(20,158)	(102,432)	(26,626)	-	5,241	(1,166)	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT AREA AGENCY ON AGING
for the year ended June 30, 2019

	MIPPAA	Non-Medicaid ADRC	Area Agency on Aging Totals
Revenues			
Federal grant	$ 25,691	$ -	$ 518,510
State grant	-	-	686,366
Local	-	-	214,993
Program income	-	-	23,696
Local funds applied	-	-	251
Total revenues	25,691	-	1,443,816
Expenses			
Direct expenses:			
Salaries	-	5,946	315,931
Fringe benefits	-	4,419	151,610
Travel	-	-	22,741
Contracts	25,691	1,069	362,440
Other costs	-	1,454	354,006
Total direct expenses	25,691	12,888	1,206,728
Shared costs	-	5,555	250,574
Total expenses	25,691	18,443	1,457,302
Intrafund transfers	-	18,443	13,486
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
PARTICIPANT DIRECTED SERVICES (PDS) PROGRAM
for the year ended June 30, 2019

	Participant Directed Services	Traditional Case Management	PDS Totals
Revenues			
Service fees	$ 336,051	$ 44,300	$ 380,351
Total revenues	336,051	44,300	380,351
Expenses			
Direct expenses:			
Salaries	109,985	10,056	120,041
Fringe benefits	53,868	6,497	60,365
Travel	7,566	1,804	9,370
Other	19,152	1,298	20,450
Total direct expenses	190,571	19,655	210,226
Shared costs	87,814	8,871	96,685
Total expenses	278,385	28,526	306,911
Intrafund transfers	(13,482)	-	(13,482)
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ 44,184	$ 15,774	$ 59,958

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES - OTHER GRANTS
for the year ended June 30, 2019

	KYTC Roadway Centerline Data	KY Infrastructure Authority	Trans-portation	EDA SOAR	Hazard Mitigation	Totals
Revenues						
Federal grant	$ -	$ -	$ -	$ 1,841	$ 2,179	$ 4,020
State grant	-	50,000	66,963	-	350	117,313
Local / service fees	6,124	-	-	-	-	6,124
Program income	-	-	-	-	-	-
Local funds applied	-	443	-	-	620	1,063
Total revenues	6,124	50,443	66,963	1,841	3,149	128,520
Expenses						
Direct expenses:						
Salaries	2,853	20,987	13,520	862	1,226	39,448
Fringe benefits	1,213	11,363	6,876	584	812	20,848
Travel	66	519	368	83	-	1,036
Contracts	-	-	-	-	-	-
Other	-	237	210	-	-	447
Total direct expenses	4,132	33,106	20,974	1,529	2,038	61,779
Shared costs	1,992	17,337	10,931	774	1,111	32,145
Total expenses	6,124	50,443	31,905	2,303	3,149	93,924
Intrafund transfers	-	-	7,440	461	-	7,901
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ 42,498	$ -	$ -	$ 42,497

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES
for the year ended June 30, 2019

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Revolving Loan Program	NHPLP Grants	Performance Contracts	PDS Totals	Admin-istrative Expense	Local Operations	Totals
Revenues										
Federal grant	$ 135,201	$ 518,510	$ 4,020	$ -	$ -	$ -	$ -	$ -	$ -	$ 657,731
State grant	111,818	686,366	117,313	-	-	44,196	-	-	-	959,693
Local / service fees	-	214,993	6,124	409	24	-	380,351	-	36,009	637,910
Program Income	-	23,696	-	7,276	1,082	-	-	-	48,991	81,045
Local funds applied	9,782	251	1,063	-	-	-	-	-	(11,096)	-
Total revenues	256,801	1,443,816	128,520	7,685	1,106	44,196	380,351	-	73,904	2,336,379
Expenses										
Direct expenses:										
Salaries	104,315	315,931	39,448	2,391	-	12,136	120,041	149,442	486	744,190
Fringe benefits	60,349	151,610	20,848	1,537	-	7,030	60,365	80,146	105,539	487,424
Travel	3,769	22,741	1,036	214	-	119	9,370	8,555	-	45,804
Contracts	-	362,440	-	-	-	-	-	13,343	-	375,783
Other	118	354,006	447	-	478	4,038	20,450	228,545	7,898	615,980
Total direct expenses	168,551	1,206,728	61,779	4,142	478	23,323	210,226	480,031	113,923	2,269,181
Shared costs	88,250	250,574	32,145	2,105	-	10,272	96,685	(480,031)	-	-
Total expenses	256,801	1,457,302	93,924	6,247	478	33,595	306,911	-	113,923	2,269,181
Intrafund transfers	-	13,486	7,901	-	-	-	(13,482)	-	(7,905)	-
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ 42,497	$ 1,438	$ 628	$ 10,601	$ 59,958	$ -	$ (47,924)	$ 67,198

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

The Board of Directors
Gateway Area Development District
Morehead, 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 Gateway Area Development District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2019.

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) to determine the 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.

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

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

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

Purpose of this Report

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

RFH

RFH, PLLC
Lexington, Kentucky
November 6, 2019

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

The Board of Directors
Gateway Area Development District
Morehead, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Gateway Area Development District's (the District) compliance with the types of compliance requirements described 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, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Gateway Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

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

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
November 6, 2019

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2019

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Commerce				
1. Appalachian Regional Commission (ARC)				
Direct award				
JFA-ARC Planning	22.009	KY-702-D-C50-18	$ -	$ 788
JFA-ARC Planning	23.009	KY-702-D-C50-19	-	58,725
Total ARC			-	59,513
Economic Development Administration				
1. Passed through State (DLG) **(note 1)**				
JFA-Community and Economic Assistance	11.302	PON2 112 1900003299	-	66,667
Passed through Big Sandy Area Development District				
Econdomic Development Assistance - SOAR	11.307	04-79-06942		1,841
2. Economic Development Administration				
Revolving Loan Program **(note 2)**	11.307	N/A	-	521,927
Total EDA			-	590,435
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG)				
JFA- CDBG	14.228	PON2 112 1900003299	-	9,021
U.S. Department of Health and Human Services (HHS)				
Passed through State (CFHS) **(note 3)**				
Title III B Support Services	93.044	PON2 725 1900001251	-	92,901
Title III B Ombudsman	93.044	PON2 725 1900001251	14,800	14,800
Title III C1 Congregate Meals	93.045	PON2 725 1900001251	-	170,991
Title III C2 Home Delivered Meals	93.045	PON2 725 1900001251	-	84,504
Nutrition Services Incentive Program	93.053	PON2 725 1900000884	-	45,839
Total Aging cluster			14,800	409,035
Title VII Elder Abuse	93.041	PON2 725 1900001218	1,534	1,534
Title VII Ombudsman	93.042	PON2 725 1900001218	2,843	2,843
Title III D Aging Program Preventive Health	93.043	PON2 725 1900001251	-	2,815
Title III E Family Caregiver	93.052	PON2 725 1900001251	-	45,569
Functional Assessment Service Teams (FAST)	93.069	PON2 725 1900000533	-	1,000
ACA - MIPPA	93.071	PON2 725 1900001159	25,691	25,691
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1900000816	-	5,040
CMS SHIP	93.324	PON2 725 1900001119	22,167	24,983
Total HHS			67,035	518,510
Subtotal federal awards			$ 67,035	$ 1,177,479

Notes:

1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).
2) At June 30, 2019, the District had loans outstanding in the amount of $213,099 with an allowance for doubtful accounts of $37,487 under the Title IX-RLF loan program. The revolving loan federal expenditures is calculated by taking the current year loan balance of $213,099, plus the cash balance of $476,904, plus the current year administrative expenditures of $6,246, plus no loans were written off in the current year, and then multiplying this total by the Federal share of approximately 75% which equals $521,927.
3) The Health and Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Aging and Independent Living (CHFS).

Basis of Presentation

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

Indirect Cost Rates

The Gateway Area Development District did not elect to use the 10 percent *de minimis* cost rate as allowed under the *Uniform Guidance* .

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
for the year ended June 30, 2019

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Passed Through to Subrecipients	Expenditures
Subtotal federal awards from previous page			$ 67,035	$ 1,177,479
U.S. Department of Homeland Security (DHS)				
Passed through MCFC **(note 4)**				
Hazard Mitigation Grant	97.039	PON2 095 1700000330	-	2,179
Total DHS			-	2,179
Total federal awards			67,035	1,179,658
Less: Revolving loan programs that do not reflect current year activity			-	(521,927)
Total federal awards reported in the statement of operations by program and supporting services			$ 67,035	$ 657,731

Notes:
4) The Department of Homeland Security program was passed through from Montgomery County Fiscal Court (MCFC).

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2019

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:
Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	__Yes	_X_ No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	_X_ None reported
Non-compliance material to financial statements noted	__Yes	_X_ No

Federal Awards:
Internal control over major programs:

Material weaknesses identified	__Yes	_X_ No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	_X_ None reported

Type of auditor's report issued on compliance for major programs:
Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__Yes	_X_ No

Major Programs:

CFDA Number	Name of Federal Program or Cluster
11.307	Economic Adjustment Assistance

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

Auditee qualified as a low-risk auditee? _X_ Yes __No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE