AREA DEVELOPMENT DISTRICT

COST ALLOCATION POLICY

July 1, 2021 to June 30, 2022

(FY '22)

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ABSTRACT

TITLE:	Gateway Area Development District Cost Allocation Plan
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STATE PLANNING AGENCY:	Department for Local Government
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ABSTRACT TEXT: The Cost Allocation Plan sets forth the procedures the Gateway Area Development District (GADD) will follow during the upcoming FY '22 in accordance with federal and state guidelines. Internal controls for grant fund expenditures are set forth herein.

TABLE OF CONTENTS

		PAGE
I.	INTRODUCTORY STATEMENT	3
II.	ORGANIZATION CHART Insert	3
III.	WORK ELEMENTS Descriptions	4 5
IV.	UNIFORM CHART OF ACCOUNTS Inserts	10
V.	COST ACCOUNTING	11
VI.	COST ALLOCATION POLICY	12
VII.	SHARED COST CALCULATION	17
VIII.	CERTIFICATE OF INDIRECT COSTS	18
IX.	OTHER SUPPORTING DOCUMENTATION	19

ADDITIONAL DOCUMENTATION INCLUDED WITH THIS COST ALLOCATION PLAN

- Most Recent Audit – Fiscal Year ending June 30, 2020

I. INTRODUCTORY STATEMENT

This Cost Allocation Plan for the Gateway Area Development District (GADD) sets forth in general terms, guidelines, or references to, the procedures for receiving and disbursing funds from the Department for Local Government and other funding agencies. Its Board of Directors is dedicated to the continued functioning of the regional concept for economic development and growth, realizing that through this concept the greatest amount of benefit can be delivered to its five-county area with the fewest number of dollars.

In all instances, it is GADD's intention to adhere to the special terms and conditions of the grantor agency, as is noted on the corresponding grant award. It is also the intent of this ADD to meet the requirements of each federal and state participating agency by following the procedures set forth by 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" *(commonly referred to as the Super Circular),* and the Department of Local Government.

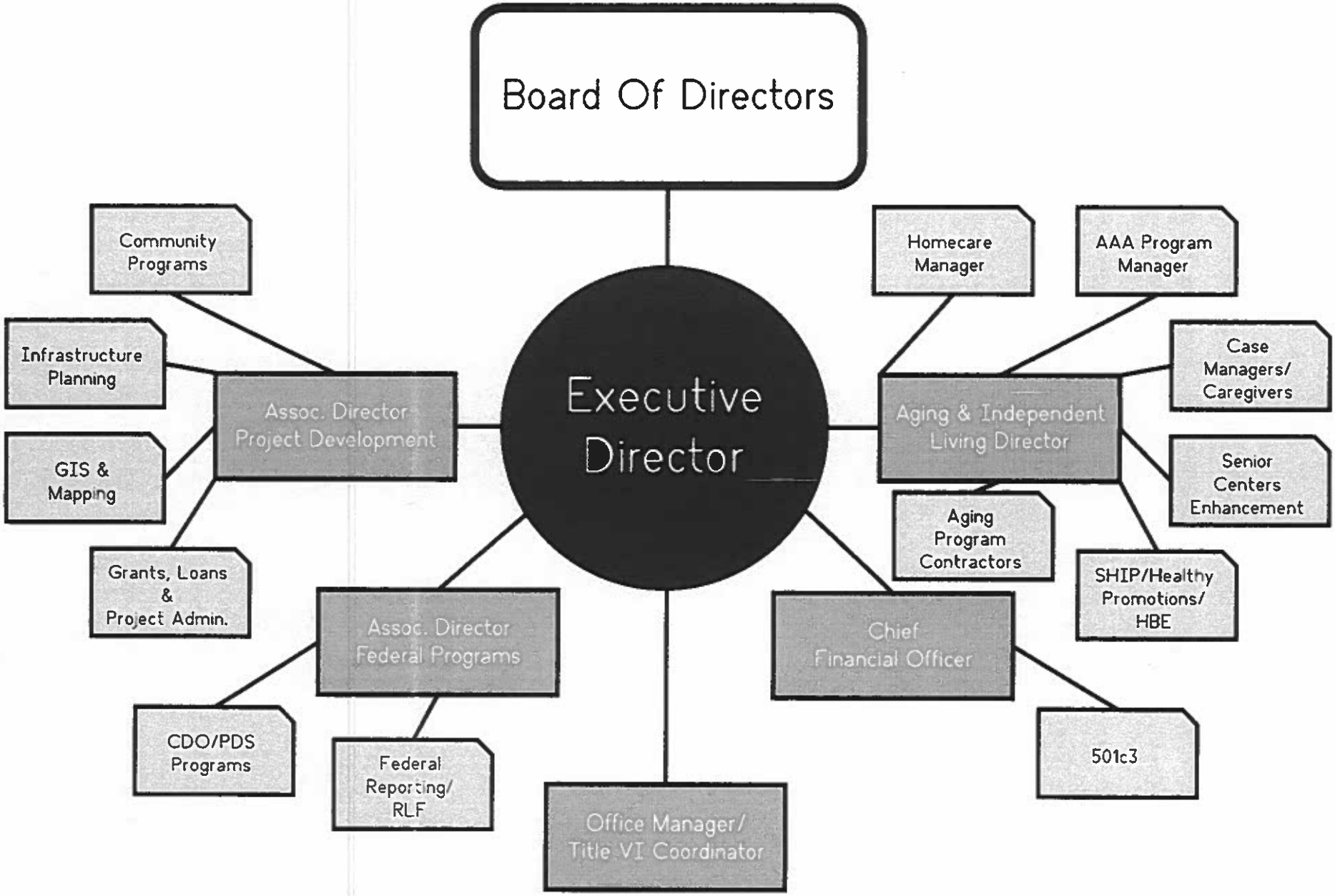
The most recent operating and fiscal policies of the Gateway Area Development District was approved by the Gateway ADD Board of Directors on March 30, 2021.

II. ORGANIZATIONAL CHART

GADD's latest board-approved organizational charts follows this page.

The first chart captures the way the agency has been organized in recent years. On April 28, 2020 our Board of Directors' Executive Committee approved a temporary reorganization as indicated in the second chart, which remains in effect as of the current date.

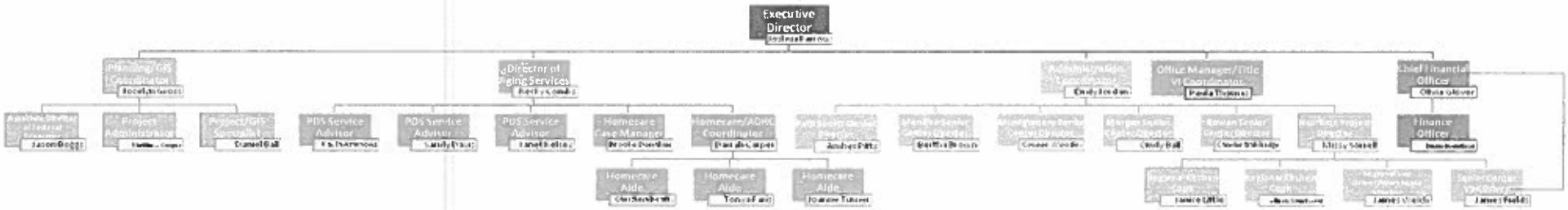
Gateway Area Development District
Organizational Chart



Updated: 04/01/2018

Gateway Area Development District

Board of Directors



Approved by Board of Directors Executive Committee April 28, 2020 Temporary Organizational Restructure

WORK ELEMENTS
(As will be identified in GADD's accounting software during FY '22)

JFA Elements

GADD's internal accounting element numbers are not the same as the JFA work elements

010	120 - Community and Economic Development and Development Finance
020	125 - Community Development Block Grant
030	130 - Community and Economic Development and Developmental Finance
040	140 – Technical Assistance
050	150 - Program Administration

Other Contracts

075	KYTC – Public Transportation Vehicles
076	KYTC – Public Transportation CRRSAA
111	Economic Recovery – EDA
128	Gateway Regional Workforce Development Plan
150	Operation Gateway – KT IRT Medical
180	Miscellaneous Performance Contracts
182	KYTC Roadway Centerline
210	Revolving Loan Fund
211	RLF – Economic Recovery
420	Regional Transportation
600	KIA
610	NHPLP

Aging Programs

070	Aging Administration
090/100	Home Care Services
225	Title III C-1 - Congregate Meals
226	Title III C-2 -Home Delivered Meals
230/231	Title III-B - Supportive Services
240	Title III E - Caregiver Services
270	State LTC Ombudsman
280	Title VII – Elder Abuse
290	Title VII - Ombudsman
400	SHIP
405	MIPPA
440	Title III – D – Preventive Health
454	Functional Assessment Service Teams
540	PCAP
735/738	ADRC
745	NSIP
776	Traditional Case Management
777	PDS - Participant Directed Services

Pass-through Elements

These elements do not represent an operational program, rather is only an internal accounting pool to gather each center's cost (e.g., personnel, supplies, fuel, utilities) that is subsequently transferred to the Aging Programs (see above) for which they serve.

810	Bath County Senior Center
811	Montgomery County Senior Center
812	Morgan County Senior Center
813	Rowan County Senior Center
814	Menifee County Senior Center
815	Jeffersonville Senior Center
816	Regional Kitchen

A few other elements are not included in the JFA, but are part of the integrated accounting system and GADD's operations. Element #670 Local Operations is such a one and also the element used to accumulate shared costs (#000 Unallocated).

Element #822 related to fundraising (i.e. private funds collected towards and expended for special purposes) is not described either. The corresponding designated bank account is under GADD's control, but activities lie outside of GADD's normal operations.

WORK ELEMENT DESCRIPTIONS

A. Joint Funding Administration Elements

Element 010 – 120 Community & Economic Development & Development Finance

Objective – To develop and implement the Comprehensive Economic Development Strategy (CEDS) for the Economic Development Administration (EDA) in accordance with EDA's guidelines. GADD will develop a new CEDS every five years, with annual updates.

Element 020 – 125 Community Development Block Grant

Objective - To assist the Department for Local Government in implementing the Kentucky Community Development Block Grant Program (CDBG) by providing technical assistance to local units of governments and eligible communities.

Element 030 – 130 Community & Economic Development and Developmental

Objective – To implement and maintain, in conjunction with the Department for Local Government, a program to focus on investments designed to provide basic community services, upgrade quality of life, spur employment, and improve the economic viability of the region.

Element 040 – 140 Technical Assistance and Element 050 – 150 Program Administration

Objectives – (1) To provide technical assistance and coordination in the pursuit of investments designed to provide sustainable community and development initiatives that ensure the region's competitiveness. (2) Assist DLG with community development and community enhancement initiatives/projects that further develop the region's "quality of life" goals for sustainable growth. (3) Assist DLG with coordinating the efforts of divisions of local government in planning, implementation, and procurement of funding for projects and initiatives related to disaster and emergency assistance, preparedness and public safety, which promote safe and secure communities (4) Perform the functions of a regional clearinghouse pursuant to Presidential Executive Order 12372.

B. Other Elements

Element 075 – KYTC Public Transportation Vehicles

Objective – To fund the purchase of vans for our region's senior citizens and Senior Center's operations via a Section 5310 grant (Transportation for Enhanced Mobility of Seniors and Individuals with Disabilities).

Element 076 – KYTC Public Transportation CRRSAA funds

Objective – To administer an operational grant, that will assist our Senior Centers, using funding made available via the Coronavirus Response and Relief Supplemental and Appropriations Act of 2021.

Element 111 – EDA Economic Recovery

Objective – To support the prevention, preparation for, and response to COVID-19 as outlined in the CARES Act; complete an Economic Recovery and Resiliency Plan; provide technical assistance to local governments, businesses, and stakeholders; and supply the agency with equipment and staff support necessary for remote operations.

Element 128 – Gateway Regional Workforce Development Plan

Objective - To support a comprehensive study that will examine the employment sectors within the existing regional economy, evaluate the region's commercial and industrial workforce base, and create a strategic plan for establishing specialized training and recruitment programs to meet the workforce and employer demands in the region.

Element 150 – Operation Gateway – KY IRT Medical

Objective - To assist with conducting a one-time special funded project from Appalachian Regional Commission (i.e. IRT Medical Mission KY-

20236); Operation Gateway is a U.S. Department of Defense Innovative Readiness Training that will execute medical, dental, and optical medical clinics at no cost to the public in Bath, Menifee, Montgomery, Morgan, and Rowan County. The ARC funding will cover local administrative, operation, and outreach expenses including facility and equipment rentals, transportation, advertisements and print media, and staff.

Element 180 – Miscellaneous Performance Contracts

Objective – To provide various professional services, such as grant administration, under specific contractual agreements. Revenue is based upon performance, not cost reimbursement.

Element 182 – KYTC Roadway Centerline Program

Objective – To carry out the requirements of KRS 147A.090(2) and CFDA Number 20.205 associated with the KY Transportation Cabinet's Roadway Centerline Data Collection and Maintenance Program by collection and providing information, completing updates, etc. for all public roads in assigned counties.

Element 210 – Revolving Loan Fund

Objective – To promote and administer the Economic Development Administration (EDA) funded Revolving Loan Funds.

Element 211 – RLF Economic Recovery

Objective – To perform administrative tasks related to the establishment and facilitation of the CARES Act Revolving Loan Fund program, to perform rapid and prudent lending to local businesses in response to the sudden and severe economic dislocation from the COVID-19 pandemic.

Element 420 – Transportation

Objective – To contract with the Commonwealth's Department of Transportation and carry out the requirements of KRS 147A.090(2) including providing Planning and Technical Assistance to the local units, addressing specific project needs, and providing input into the State Highway Plan.

Element 600 – Kentucky Infrastructure Authority (KIA)

Objective – To perform support services for the area water management planning council including a water supply and wastewater planner that serves as the long-range planning representative and assists individual utilities with project planning and development activities.

Element 610 – Non-profit Housing Production Loan Program (NHPLP)

Objective – To provide housing assistance under the Kentucky Housing Corporation (KHC) funded program. Services range from septic system assistance, gap financing for housing and other miscellaneous items.

C. Aging Programs

Element 070 – Aging Administration

Objective – To administer Title III funding of the Older American's Act of 1965, as amended, through a comprehensive and coordinated system for social services, nutrition services and where appropriate, for the establishment or maintenance of multi-purpose senior centers within the planning and services area covered by the plan. This includes determining the extent of need for social services, nutrition services, and multi-purpose centers in the area and evaluating the effectiveness of the use of resources in meeting those needs.

Elements 090/100 – Homecare Services

Objective – To administer a state funded program designed to provide homecare services (including assessment and case management) to physically or functionally impaired Kentuckians age 60 years or older who are at risk of institutionalization.

Element 225 – Title III C-1 Congregate Meals

Objective – To administer a program (CFDA # 93.045) that provides nutritional meals and nutritional education in a congregate setting (i.e. senior centers) to elderly Kentuckians, which follow under the AOA program.

Element 226 – Title III C-2 Home Delivered Meals

Objective – To administer a program (CFDA # 93.045) that provides nutritional home-delivered meals and nutrition education to elderly Kentuckians, which follow under the AOA program.

Element 230 / 231 – Title III-B Supportive Services

Objective – To administer a program (CFDA #93.044) that provides information and assistance, outreach, transportation, legal services, extended respite, ombudsman, homemaker services, senior center services, assessment/case management, and home repair services to the elderly based on budgets and available services for Kentuckians, which follow under the AOA programs.

Element 240 – Title III E - Caregiver Program

Objective – To administer a program (CFDA #93.052) serving family and informal caregivers who provide care to people over 60 years of age; an

individual or any age with Alzheimer's or a related diagnosis; and relative children up to age 19; or an adult child with a disability age 19-59, which follow under the AOA programs.

Element 270 – State LTC Ombudsman

Objective – To administer a program designed to provide full-time Ombudsman services to assist residents in protecting the health, safety, welfare, and rights of elderly Kentuckians in long term care facilities.

Element 280 – Title VII Elder Abuse

Objective – To administer a program (CFDA # 93.041) designed to provide public education and outreach to identify and prevent elder abuse, neglect and exploitation of elderly Kentuckians, which follow under the AOA programs.

Element 290 – Title VII Ombudsman

Objective – To administer a program (CFDA # 93.042) designed to provide services to assist residents in protecting the health, safety, welfare, and rights of elderly Kentuckians in long term care facilities, which follow under the AOA programs.

Element 400 – SHIP (Community Living State Health Insurance Assistance Program)

Objective – To administer a program (CFDA #93.324) designed to provide information and technical assistance to elderly and disabled citizens relating to Medicare benefits, health and prescription drug insurance options, and other issues pertaining to public benefits.

Element 405 – MIPPA (Medicare Improvement for Patients and Providers Act)

Objective – To administer a program (CFDA # 93.071) designed to provide enhanced outreach in three (3) priority areas to eligible Medicare beneficiaries regarding their benefits and to individuals who may be eligible for the Low Income Subsidy, Medicare Saving Program, or Medicare Part D, including activities aimed at preventing disease and promoting wellness.

Element 440 – Title III-D Preventive Health

Objective – To administer a program (CFDA # 93.043) designed to provide education and assistance in the training and care of elderly Kentuckians on health related topics, which follow under the AOA programs.

Element 454 – FAST (Functional Assessment Service Teams)

Objective – To administer a program (CFDA # 93.069) to support elderly persons with functional and access needs affected during an emergency or disaster.

Element 540 – Personal Care Attendant Program

Objective – To administer a state-funded program that provides personal care assistance and services to severe physically disabled adults who are at risk of institutional care the opportunity to live within their homes and communities.

Element 735 / 738- Medicaid and non-Medicaid ADRC

Objective – A process that provides individuals of all ages, incomes, and disabilities with coordinated and streamlined access (i.e. an Aging and Disability Resource Center) to information, assistance, and referral services.

Element 745 – NSIP (Nutrition Services Incentive Program)

Objective – To administer a federal program (CFDA #93.053) designed to provide nutritional services to elderly Kentuckians.

Element 776 – Traditional Case Management

Objective – To provide conflict-free case management services for qualified individuals enrolled in the Medicaid HCB Traditional Waiver program receiving services from Traditional Service Providers.

Element 777 – Participant Directed Services (PDS)

Objective – To provide PDS Coordination services, which includes advisory and management of funds, for qualified individuals enrolled in the Medicaid HCB Waiver Participant Directed Services program.

III. UNIFORM CHART OF ACCOUNTS

GADD utilizes the Abila MIP Fund Accounting software. Attached are these current Chart of Account listings:

(1) Program listing - our active element codes.

(2) GL segment name – active general ledger codes

Gateway Area Development District, Inc.
Chart Of Accounts List - ACTIVE PROGRAM LISTING
Prog - 4

Account Code	Account Title	Status
000	UNALLOCATED	A
010	JFA - ECONOMIC DEV	A
020	JFA - COMM DEV BLOCK GRANT	A
030	JFA - APPLACHIAN REG COMM	A
040	JFA - TECHNICAL ASSISTANCE	A
050	JFA - PROGRAM ADMIN	A
070	AGING - AAA ADMIN	A
075	KYTC - Public Transportation Vehicles	A
076	KYTC PUBLIC TRANSP CRRSAA	A
090	AGING - HOMECARE COORDINATION	A
100	AGING - HOMECARE SERVICES	A
111	CARES EDA - ECONOMIC RECOVERY	A
128	GW REG WORKFORCE DEV PLAN STUDY	A
150	OPERATION GATEWAY KY IRT MEDICAL MISSION	A
180	MISC. PERFORMANCE CONTRACTS	A
182	KYTC ROADWAY CENTERLINE DATA & MNT	A
210	REVOLVING LOAN FUND / RLF	A
211	RLF - ECONOMIC RECOVERY	A
225	AGING - TITLE 3 C-1 CONGREGATE MEALS	A
226	AGING - TITLE 3 C-2 HOME DEL MEALS	A
230	AGING - TITLE 3-B SUPPORTIVE SERV	A
231	AGING - TITLE III OMBUDSMAN	A
240	AGING - TITLE 3-E CAREGIVER	A
270	AGING - STATE LTC OMBUDSMAN	A
280	AGING - TITLE VII ELDER ABUSE	A
290	AGING - TITLE VII OMBUDSMAN	A
400	AGING - SHIP	A
405	AGING - MIPPAA	A
420	TRANSPORTATION PLANNING	A
440	AGING - TITLE 3-D PREVENTIVE HEALTH	A
454	AGING - FUNCTIONAL ASSESSMENT SERVICE TEAMS	A
540	AGING - PERSONAL CARE PROGRAM	A
600	KY INFRASTRUCTURE AUTHORITY	A
610	NONPROFIT HOUSING PROD LOAN PRGM	A
670	LOCAL OPERATIONS	A
735	AGING - NON-MEDICAID ADRC	A
738	AGING - MEDICAID ADRC	A
745	AGING - NSIP	A
776	TRADITIONAL CASE MANAGEMENT	A
777	PDS (CDO) - PARTICPANT DIRECTED SERVCES	A
810	BATH CO SENIOR CENTER	A
811	MONTGOMERY CO SENIOR CENTER	A
812	MORGAN CO SENIOR CENTER	A
813	ROWAN CO SENIOR CENTER	A
814	MENIFEE CO SENIOR CENTER	A
815	JEFFERSONVILLE SENIOR CENTER	A
816	REGIONAL KITCHEN	A
822	FUNDRAISING ACTIVITIES	A

Gateway Area Development District, Inc.
Chart Of Accounts List - Chart - GL Segment
GL - 2

Account Code	Account Title	Account Short Title	Status
101	CASH - GENERAL OPERATING FUND	GOF	A
102	CASH - A.A.A.	AAA	A
107	CASH - R.L.F.	RLF CASH	A
108	CASH - NHPLP/KHC HOUSING LOAN	NHPLP CASH	A
109	CASH - NHPLP GRANTS	NHPLP GRANTS	A
110	ACCOUNTS RECEIVABLE & ADVANCES	ACCTS REC/ADV	A
112	AUDIT ACCTS RECEIVABLE	AUDIT A/R	A
113	ACCOUNTS RECEIVABLE - MISC CONTRACTS	A/R - MISC CONT	A
114	LOANS RECEIVABLE - RLF & NHPLP	LOANS RECEIVABL	A
115	PREPAID DEPOSITS	PREPAID DEPOSIT	A
116	A/R - EMPLOYEES	A/R - EMPLOYEE	A
117	DUE FROM PDS/CDO FISCAL AGENT	DUE FROM PDS	A
118	DUE FROM PDS/CDO PROGRAM	DUE PDS/CDO	A
119	DUE FROM FUNDRAISING ACCT	DUE FROM FUNDRA	A
120	CASH - RD ESCROW ACCT	RD ESCROW ACCT	A
121	CASH - USDA RBEG GRANT ACCT	CASH - USDA RBE	A
122	CASH - FUNDRAISING	CASH - FUNDRAIS	A
128	CASH - ECON RECOVERY RLF	CASH - ECON REC	A
130	A/R RESERVE FOR CDO UNCOLLECTIBLE	A/R CDO RESERVE	A
131	RLF ALLOWANCE ACCOUNT	RLF ALLOWANCE A	A
132	NHPLP ALLOWANCE ACCOUNT	NHPLP ALLOWANCE	A
147	VEHICLES	VEHICLES	A
149	BUILDING	BUILDING	A
150	FURNITURE & FIXTURES	FURN	A
151	RFD FURNITURE	RFD FURN	A
152	EQUIP/COMPUTERS/TECHNOLOGY	EQUP/COMP	A
153	RFD COMPUTER	RFD COMP	A
154	RFD COMPUTER SOFTWARE	RFD COMPUTER SO	A
156	LAND	LAND	A
157	RFD - BUILDING	RFD - BUILDING	A
161	CAPITALIZED INTEREST ON CONSTRUCTION	CAPITALIZED INT	A
162	CAPITALIZED CLOSING COST	CAPITALIZED CLO	A
163	ACCUMULATED AMORTIZATION	ACCUM AMORT	A
164	RFD - VEHICLES	RFD - VEHICLES	A
172	DEFERRED OUTFLOWS OF RESOURCES - PENSION	DEFER OUT - PEN	A
173	DEFFERED OUTFLOWS OF RESOURCES - OPEB	DEFFR OUT - OP	A
199	INTERFUND RECEIVABLE PAYABLE	INTERFUND RECEI	A
203	ACCRUED VEHICLE COST	ACCRUED VEHICLE	A
207	DUE TO AGING - CASH MATCHING FUNDS	DUE TO AGING	A
210	MORGAN COUNTY LOCAL TAXES	MORGAN LOCAL	A
211	CITY OF WEST LIBERTY PAYROLL TAXES	WEST LIB LOCAL	A
212	CITY OF MOREHEAD PAYROLL TAXES	MOREHEAD LOCAL	A
225	A/P AUDIT	A/P AUDIT	A
226	A/P REGULAR & PAYROLL	A/P REG & PR	A
232	LOAN PAYABLES - KHC LONG TERM	KHC LOAN - LT	A
233	KENTUCKY WH TAXES	KY WH TAX	A
234	FEDERAL TAX DEPOSIT	FEDERAL TAX DEP	A
236	ACCRUED W/C INSURANCE	ACC W/C	A
237	ACCRUED CERS PENSION	CERS	A
239	ACCRUED PERSONAL LEAVE	ACC VACATION	A
245	BATH COUNTY LOCAL TAXES	BATH LOCAL	A
246	ROWAN COUNTY LOCAL TAXES	ROWAN LOCAL	A
247	MONTGOMERY CO LOCAL TAXES	MONTG LOCAL	A
248	MENIFEE COUNTY LOCAL TAXES	MENIFEE LOCAL	A
249	401 K DEF CMP & AFTER TAX	401 K DEF & AT	A
250	401 K LOAN REPAYMENT	401 K LOAN REPA	A

Account Code	Account Title	Account Short Title	Status
255	RD MORTGAGE - LONG TERM	RD MORTGAGE - L	A
256	DEBT SERVICE ACCRUAL	DEBT SERVICE AC	A
257	RD MORTGAGE - SHORT TERM	RD - SHORT	A
258	GARNISHMENTS & LEVIES ON WAGES	GARNISHMENTS &	A
259	STATE UNEMPLOYMENT TAX - SUTA	SUTA	A
260	PROGRAM LOANS - KHC SHORT TERM	KHC LOAN - ST	A
261	AFLAC DEDUCTION	AFLAC DEDUCTION	A
262	DENTAL INSURANCE	DENTAL INSUR	A
263	HEALTH INSURANCE	HEALTH INSURANC	A
264	LIFE INSURANCE DEDUCTION	LIFE INSURANCE	A
266	VISION INSURANCE	VISION INS	A
269	CERS HEALTH INSURANCE	CERS HEALTH INS	A
270	DEFERRED REVENUE	DEFER REVENUE	A
271	NET PENSION LIABILITY	NET PENSION LIA	A
272	DEFERRED INFLOW OF RESOURCES - PENSION	DEF INFLOW - PE	A
273	DEFERRED INFLOWS OF RESOURCES - OPEB	DEF INFL - OPEB	A
276	NET OPEB LIABILITY	NET OPEB LIABIL	A
282	DUE TO FUNDRAISING ACCOUNT	DUE TO FUNDRAIS	A
299	ACCRUED PAYROLL - AUDIT	ACCRUED PAYROLL	A
310	FUND BALANCE	FUND BAL	A
400	REVENUE - CONTRIBUTIONS	CONTRIBUTION	A
411	REVENUE - FEDERAL SOURCES	FEDERAL	A
412	REVENUE - STATE SOURCES	STATE	A
413	REVENUE - LOCAL OR OTHER SOURCES	LOCAL	A
414	REVENUE - AGING FEES AND DONATIONS	REV-AGING FEES	A
417	PDS SERVICE FEES	PDS SERV FEE	A
420	REVENUE - INTEREST INCOME	INTEREST REV	A
422	REVENUE - CHECK W/O	CHECK W/O	A
425	REVENUE - LOCAL MAPPING FEES	REV - MAPPING F	A
430	REVENUE - DUES	DUES	A
440	REVENUE - JURY DUTY	JURY DUTY	A
450	REVENUE - PROGRAM INCOME	REV - PRG INC	A
460	REVENUE - IN-KIND MATCHING	IN-KIND MATCH	A
461	REVENUE - FEES AND DONATIONS MATCHING	REV- FEE DONATE	A
470	REVENUE - OTHER	OTHER REV	A
473	REV - CASH REBATES	REV - CASH REB	A
475	REVENUE - LOCAL AGING CASH	LOCAL AGING CAS	A
476	REV - GAIN/LOSS ON FIXED ASSETS	REV - GAIN/LOSS	A
480	CHANGE IN PDS/CDO FISCAL AGENT EQUITY	PDS-CDO EQUITY	A
485	NET PENSION ADJUSTMENT	NET PENSION ADJ	A
486	NET OPEB ADJUSTMENT	NET OPEB ADJUST	A
490	INTRAFUND TRANSFER EXPENSE TO - C1	INTRA TRANS C1	A
491	INTRAFUND TRANSFER EXPENSES TO - C2	INTR TR TO C2	A
492	INTRAFUND TRANSFER EXPENSES TO - HC	INTRA TR TO HC	A
493	INTRAFUND TRANSFER EXPENSES TO - IIIB	INTR TR TO IIIB	A
494	INTRAFUND TRANSFER EXPENSES TO - IIID	INTR TR TO IIID	A
496	INTRAFUND TRANSFER IN - AGING ADMIN	TRANS IN ADMIN	A
497	INTRAFUND TRANSFER IN - AGING ADRC	TRANSF IN ADRC	A
498	INTRAFUND TRANSFERS IN	TRANSFERS IN	A
499	PRIOR YEAR REVENUES/EXPENSES	PRIOR YR REV/EX	A
600	SALARIES / WAGES	SALARIES	A
605	BURDEN - EMPLOYEE FRINGE BENEFITS	FRINGE/BURDEN	A
610	VACATION	VACATION	A
615	TRAVEL	TRAVEL	A
616	TRAVEL OUT-OF-STATE	TRAVEL OUT-OF-S	A
620	OTHER	OTHER	A

Account Code	Account Title	Account Short Title	Status
623	DIRECT CLIENT EXPENSES	CLIENT EXP	A
624	DIRECT CLIENT EXP - HOME REPAIR	CLIENT HOME REP	A
625	BACKGROUND CHECKS	BACKGROUND CHEC	A
630	SHARED COSTS ALLOCATED	SHARED ALLOC	A
635	MATCHING - IN-KIND CONTRIBUTIONS	IN - KIND	A
636	MATCHING - LOCAL CASH	LOCAL CASH	A
637	MATCHING - PROGROM INCOME	PROGROM INCOME	A
638	MATCHING - FEES AND DONATIONS	FEES AND DONATI	A
645	LOCAL INTEREST BUS. LOAN	LOCAL IN BUS LN	A
647	EQUIPMENT & VEHICLES	EQUIPMENT & VEH	A
655	CONGREGATE MEALS	CONG MEALS	A
660	HOME DELIVERED MEALS	HD MEALS	A
665	LEGAL SERVICES - AGING	LEGAL - AGING	A
670	ELDER ABUSE	ELDER ABUSE	A
686	PASS-THROUGH GRANT EXP	PASS-THRU GRANT	A
695	OMBUDSMAN	OMBUDS	A
700	BOARD TRAVEL	BD TRAVEL	A
701	ACCOUNTING	ACCOUNTING	A
705	SUPPLIES / OFFICE EXP	SUPPLIES	A
710	POSTAGE EXPENSES	POSTAGE	A
712	FUEL / GAS EXPENSE	FUEL/GAS	A
713	VEHICLE REPAIR & MAINTANCE	VEHICLE REPAIR	A
715	EQUIPMENT LEASE	EQUIP LEASE	A
720	EQUIPMENT/SOFTWARE MAINT.	EQUP/SOFT MNT	A
721	FOOD ITEMS	FOOD ITEMS	A
722	NON-FOOD ITEMS	NON-FOOD ITEMS	A
725	COMMITTEE MEETINGS	COMM MEETING	A
730	TELEPHONE & INTERNET EXPENSES	PHONE/INTERNET	A
731	UTILITIES EXP	UTILITIES EXP	A
735	RENT	RENT	A
740	INSURANCE EXPENSE	INSURANCE	A
745	DUES & SUBSCRIPTIONS	DUES & SUBS	A
750	DEPRECIATION	DEPR	A
753	BAD DEBT EXPENSE	BAD DEBT	A
764	HOMECARE IN-HOME SERVICES	HC-IN-HOME	A
765	CONTRACT SERVICES	CONTRACT SERVIC	A
785	LOCAL OTHER EXPENSES	LOCAL OTHER EXP	A
791	POTLUCK & GENERAL FD ACTVITIES	POTLUCK/GEN	A
792	ELDER ABUSE FUNDRAISING ACTIVITY	ELDER ABUSE FUN	A
793	50TH ANNIVERSARY FUNDRAISING ACTIVITY	50TH ANNIVERSAR	A
794	BATH SENIOR CTR FUNDRAISING ACTIVITY	BATH CTR FR	A
796	MENIFEE SENIOR CTR FUNDRAISING ACTIVITY	MENIFEE FR	A
797	MONTGOMERY SR CTR FUNDRAISING ACTIVITY	MONTGOMERY FR	A
798	MORGAN SR CTR FUNDRAISING ACTIVITY	MORGAN FR	A
799	ROWAN SR CTR FUNDRAISING ACTIVITY	ROWAN FR	A
805	TRAINING	TRAINING	A
807	TURNER VACATION ACCRUAL	TURNER VACATION	A
808	CARPER VACATION ACCRUAL	CARPER VAC	A
809	BALL VACATION ACCRUAL	BALL VACATION A	A
815	PROPERTY RELATED REPAIR & MNT	REPR & MNT	A
817	COOKBOOK/BENERAL/OTHER FUNDRAISING ACTIVITY	COOKBOOK/BENERA	A
820	LEGAL & PROFESSIONAL FEES	LEGAL & PROF	A
823	SMALLWOOD VACATION ACCRUAL	SMALLWOOD VACAT	A
824	LITTLE J VACATION ACCRUAL	LITTLE J VACATI	A
825	PLANNING & DESIGN COSTS	PLANNING DESIGN	A
826	FIELDS VACATION ACCRUAL	FIELDS VACATION	A

Account Code	Account Title	Account Short Title	Status
828	DONAHUE VACATION ACCRUAL	DONAHUE VAC	A
829	FRUTH VACATION ACCRUAL	FRUTH VACATION	A
830	CONSTRUCTION & EQUIPMENT COSTS	CONS & EQUP	A
831	WOOSLEY VACATION ACCRUAL	WOOSLEY VACATIO	A
835	INTEREST ON CONSTRUCTION LOAN	INTEREST ON CON	A
836	HOLBROOK-CURTIS VACATION ACCRUAL	HOLBROOK-CURTIS	A
837	STANLAND VACATION ACCRUAL	STANLAND VAC	A
839	SORRELL JAMES VACATION ACCRUAL	SORRELL JAMES V	A
848	BALL VACATION ACCRUAL	BALL VACATION A	A
850	AMORTIZATION EXPENSE	AMORTIZATION	A
851	LOAN INTEREST	LOAN INTER	A
854	SORRELL MELISSA VACATION ACCRUAL	SORRELL MEL VAC	A
855	WELCH VACATION ACCRUAL	WELCH VACATION	A
857	HAMM VACATION ACCRUAL	HAMM VACATION A	A
859	PURVIS VACATION ACCRUAL	PURVIS VACATION	A
861	WILLIAMSON VACATION ACCRUAL	WILLIAMSON VACA	A
862	RICHMOND VACATION ACCRUAL	RICHMOND VACATI	A
863	HONAKER VACATION ACCRUAL	HONAKER VACATIO	A
864	THOMPSON P VACATION ACCRUAL	THOMPSON P VACA	A
890	INTRAFUND TRANSFER FROM - BATH	INTRA FR BATH	A
891	INTRATRANSFER FROM - MONTGOMERY CO	INTRA TR FR MO	A
892	INTRAFUND TRANSFER FROM - MORGAN	INTRA FR MORG	A
893	INTRAFUND TRANSFER FROM - ROWAN	INTRA FR ROWAN	A
894	INTRAFUND TRANSFER FROM - MENIFEE	INTRA FR MENIF	A
895	INTRAFUND TRANSFER FROM - JVILLE	INTRA FR JVILL	A
896	INTRAFUND TRANSFER OUT - AGING ADMIN	TRANS OUT ADMIN	A
897	INTRAFUND TRANSFERS OUT - AGING ADRC	TRANS OUT ADRC	A
898	INTRAFUND TRANSFERS OUT	TRANSFERS OUT	A
899	INTRAFUND TRANSFER FROM - REG KITCHEN	FROM REG KITCH	A
904	BAIER/AMMONS VACATION ACCRUAL	BAIR VACATION A	A
908	JORDAN VACATION ACCRUAL	JORDAN VACATION	A
934	THOMAS P VACATION ACCRUAL	THOMAS P VACATI	A
940	GLOVER VACATION ACCRUAL	GLOVER VACATION	A
951	SNEDEGAR MG VACATION ACCRUAL	SNEDEGAR MG VAC	A
958	GROSS VACATION ACCRUAL	GROSS VACATION	A
965	BROWN BERTHA VACATION ACCRUAL	BROWN VACATION	A
966	PITTS VACATION ACCRUAL	PITTS VACATION	A
969	BOGGS VACATON ACCRUAL	BOGGS VACATON A	A
976	BALDRIDGE VACATION ACCRUAL	BALDRIDGE VACAT	A
979	COOPER MATT VACATION ACCRUAL	COOPER MATT VAC	A
985	DAVIS VACATION ACCRUAL	DAVIS VACATION	A
986	COMBS VACATION ACCRUAL	COMBS VAC ACC	A
989	FARROW VACATION ACCRUAL	FARROW VACATION	A
996	DONALDSON VACATION ACCRUAL	DONALDSON VACAT	A
997	KELSEY VACATION ACCRUAL	KELSEY VACATION	A
999	AUDITOR ADJUSTMENT ACCOUNT	AUDITOR ADJUSTM	A

V. COST ACCOUNTING

GADD utilizes journals *(within the accounting software)* and supplemental spreadsheets *(created in Excel)* to prepare reports for the Executive Director and Board of Directors, providing as much of a view of the day-to-day activities as is possible. With the assistance of GADD's CPA firm and the Department for Local Government staff, the following can be easily checked and cross-checked.

1. Cash Receipts – Upon their arrival via the mail or in-person, all cash receipts (check or cash payment) are logged in chronological order on a master spreadsheet. The checks and supporting items are copied for the Executive Director, and then given to the designated staff member responsible for preparing the bank deposit. Staff maintains the corresponding deposit slip, and posts the receipt into the accounting software using the appropriate codes reflecting both source and program. All receipts are verified each month through the bank reconciliations and the Executive Director's review.

2. Cash Disbursements - GADD utilizes checks as verification of disbursements, in addition to a monthly computer printout. All checks have a voucher stub that is maintained in the office files in a numerical sequence to facilitate quick reference. Attached to the stub is all supporting documentation (e.g., invoices, emails, vendor statements) which helps support the general ledger account number and program being charged. The Executive Director reviews and manually signs each check (in addition to receiving a monthly chronological list of all checks written) and as applicable, a designated Board member approves the disbursement via an email.

   Exception: GADD's Fiscal Policies contains an option to pay vendors, which do not provide sufficient turn-around time, via the agency credit card or an electronic check directly from the bank account. This practice ensures timely uninterrupted service and the prevention of late fees. In such cases, the payments are reviewed after-the-fact and signed off on by the Executive Director and also, as applicable, a Board member.

3. Routine and Adjusting Entries – Adjusting general ledger entries are made by the finance staff on an as-need basis and are indicated on various computer printouts as a Journal Voucher (JV) entry. As applicable, the JV is attached to the source document for which it relates.

4. Payroll – Each employee completes a bi-weekly timesheet that is approved by the supervisor and Executive Director prior to being processed by the Finance Office. The accounting software generates several supporting reports. Reports are produced for each pay period, month, quarter, or year as needed. These printouts reflect the amount paid and the withholding to date (by category) so that an accurate record is maintained at all times. Each pay period the Executive Director authorizes the transfer of payroll

via direct deposit into the individual's personal bank account. Also, a list of all payroll checks written during the month is included as part of the cash disbursement printout.

5. Time Allocation – Each employee codes the number of hours worked on a specific element directly on his/her timesheet. This breakdown is entered into the software as the employee's check is processed. Accordingly the software performs the cost allocation of time based on the hours per element submitted by the staff.

6. General Ledger – The GADD accounting software accurately maintains all general ledger data. It provides numerous ways to retrieve, view, or print the corresponding information. These also serve as the general ledger that specifically summarizes and identifies all transactions from posting for cash receipts, cash disbursements, payroll, adjusting entries, etc.

The computer software provides financial statements for any time period needed (e.g., monthly, quarterly, annually). GADD staff submits quarterly financial and narrative reports to the Department for Local Government. All payroll tax returns are prepared by the GADD Finance Office, which also maintain changes in tax deductions or the status of individual employees.

During each regularly scheduled board meeting, the Finance Office provides the Board of Directors with (1) a Statement of Net Position (2) a Statement of Revenues and Expenses by source or object and (3) a Statement of Revenues and Expenses by program element. These three, along with any supplemental information that may be requested (such as a Vendor Activity Report), keeps management informed of GADD's financial status.

VI. COST ALLOCATION POLICY

GADD has prepared its Direct/Shared Cost Policy in accordance with the procedures set forth in 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" *(commonly referred to as the Super Circular)*. GADD finds this policy to be effective and efficient. GADD follows the general principle and practice that an expense is a:

- Direct cost if specifically and readily identifiable with a particular element(s) or can be directly assigned to such an element relatively easily with a high degree of accuracy.

- Shared (indirect) cost if incurred for a common or joint purpose benefiting more than one element or is not readily assignable to such elements without effort disproportionate to the results achieved.

It is GADD policy and practice to exercise moderation and discretion as to the appropriateness of any or all expenses it incurs, ensuring all expenses are necessary, reasonable, and allocable. GADD shall treat the agency's common expenditures in accordance with the following:

1. Salary – 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 employee's bi-weekly timesheet. Significant hours expended are recognized as a direct cost to the respective program element(s) in which the employee worked.

   Central administrative staff (e.g., Executive Director, Administration Coordinator, Office Manager, Finance Officers, Network Administrator) time is customarily and primarily charged as shared because their work supports all programs, funding sources, and staff.

   If an unusual amount of time *(i.e. more than would typically be required as part of their assigned duties)* is expended towards a specific element(s), or if any central staff employee serves in a dual-role, the employee 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 will be charged as shared.

2. Employee Fringes/Burden – The word "burden" refers to GADD-paid fringe benefits. These costs are charged in like manner as the employee's salary by its proportionate share which is automatically calculated via the payroll software.

   All employee burden (e.g., FICA, worker's compensation, retirement, health insurance.) which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as 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's burden cost cannot be broken down by a specific element or employee with an acceptable degree of accuracy (e.g., costs associated with using annual leave), it is charged as a shared cost.

3. Employee health and welfare costs – GADD may incur expenses for the direct benefit of its employees in order to improve working conditions (e.g. seasonal office decorations) or strengthen the employer-employee relationship (e.g. costs of Executive Director called staff meetings, immediate family condolences,

employee appreciation, etc.). These are allowable per 2 CFR Part 200.437 and will be charged as a shared cost.

4. 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 GADD performs (c) is general administrative by nature or (d) relates to the GADD office's 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 each program.

5. Consulting Contracts – Generally contracts or sub-contracts, including those for personal services, which GADD executes with a third party are readily identifiable with a specific program element and therefore becomes a direct cost to said program. If a contracted employee benefits more than one program, a timesheet is obtained to properly recognize the number of hours applicable to each.

6. Printing and Publications – Printing which is directly attributable to a specific work element is charged as a direct cost to the element. 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 (e.g., envelopes, checks, letterhead) is charged as a shared cost.

7. 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.

8. Board Travel - Board Members who travel pertaining to a specific element, charges the related costs to that work element for which the travel expense is incurred. Any travel that does not pertain to a certain work element (e.g. a national conference, mileage to scheduled board meetings) will be charged as a shared cost.

9. Annual /Personal Leave – At the end of each month, the cost associated with the full-time employees' earned annual leave is charged to designated 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. Annual time 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 the costs of annual leave.

10. Audit and Accounting Fees – Costs related to GADD's annual external audit, performed by an independent CPA firm or the state's APA office, are charged as a shared cost. The accounting system then permits each element to accept its proportionate amounts of charges. If there were to be any additional charges directly related to extra procedures in a specific element(s), the costs will be charged directly to the program.

11. Space Cost – GADD's office (at 110 Lake Park Drive) space-related expenses and routine repair and maintenance are charged as a shared cost, unless otherwise determined by the Executive Director to be exclusively for a specific work element. GADD's mortgage interest, utilities, insurance, depreciation, cleaning, and general upkeep or repairs are included as shared cost.

    Space cost (e.g. rent, utilities) incurred by one of the GADD Senior Centers will be charged directly to the respective Center's cost element.

12. Telephone/Internet – Telephone and internet charges for GADD's office (at 110 Lake Park Drive) are generally charged as a shared cost. If a particular grant 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.

    Telephone/internet costs incurred by one of the GADD Senior Centers will be charged directly to the respective Center's cost element.

13. Fixed Asset Additions - General-purpose non-consumable items (e.g., buildings, vehicles, equipment), with a cost of at least $1,000 and having a minimum three-year life expectancy, 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.

14. Equipment Rental/Lease/Maintenance – All equipment rentals, leases, and maintenance costs related to equipment in GADD's office (at 110 Lake Park Drive) are charged as shared cost unless the corresponding piece of equipment is used exclusively by a specific element or grant award.

    Equipment lease/maintenance costs incurred by one of the GADD Senior Centers will be charged directly to the respective Center's cost element.

15. Supplies/Materials/Postage – The Office Manager purchases commonly used items to keep in a central location accessible by all employees. These items are charged as a shared cost. Other items (e.g. special-requests) that are identifiable with a specific program area are charged directly to that work element.

    Supplies and related costs incurred by one of the GADD Senior Centers will be charged directly to the respective Center's cost element.

16. Meetings and Conferences – The cost associated with hosting an in-house or out-of-house meeting or conference (e.g., food, materials, facility rental) 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 (e.g., Board of Director meetings), the costs is charged as shared.

    If determined appropriate and necessary by the Executive Director, costs incurred for dual-purpose (e.g. a Board of Directors and a Functional

Advisory Committee recognized in GADD's by-laws) may be charged to more than one work element.

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

18. Fuel / Vehicle Repair and Maintenance - Each Senior Center utilizes a van to pick up food, deliver meals, transport citizens to/from the Center, etc. The costs of operating these vans will be charged directly to the respective Center's cost element.

19. Food and Related Items – As part of the Aging Program, GADD's Regional Kitchen prepares food for the area Senior Centers to serve in a congregate setting and for meals delivered to citizen's homes. The costs of the raw food and related supplies will be charged directly to the Regional Kitchen's cost element.

    GADD may also contract with an external vendor (e.g. Moms Meals) to provide meals to our region's senior citizens by delivering them to the citizen's residence directly. This contracted expense will be directly charged to that citizen county's GADD Senior Center cost 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.

Unallowable Costs

As part of normal operations, GADD will incur some costs for which it deems to be unallowable in accordance with applicable federal regulations (i.e. 2 CFR Part 200). These costs will be charged to the "Local Operations" element #670 which contains no federal or state funds and is not allocated wholly or partially to any grant either directly or indirectly. These include, but are not limited to, the following:

- Board member-related gifts (e.g., professional recognitions, retirement, family condolences)
- Employee personal gifts (e.g., birthday, resignation/retirement, Christmas)
- Late fees or penalties

VII. SHARED COST CALCULATION

Page 43 of GADD's audited Financial Statements for the fiscal year ending June 30, 2020 reflects these shared costs:

Salaries	$ 156,405
Fringe benefits	93,144
Travel	6,299
Legal and Accounting	38,321
Equipment, leases, Depreciation & amortization	48,271
Office expense	10,549
Postage	2,065
Telephone and utilities	17,249
Committee meetings	954
Dues, fees, and subscriptions	17,745
Insurance	33,367
Interest	36,858
Repairs and maintenance	52,786
Contract Services	26,701
Other	5,606
Total Shared Costs	$ 546,320

Direct Salaries and Benefits (page 50), excluding shared (Administrative & Local Operations):

Salaries (758,464 – 156,405 – 1,477)	600,582
Employee benefits (692,908 – 93,144 – 267,801)	331,963
Total Direct Personnel	$ 932,545

Total shared costs $546,320 / total direct personnel $932,545 = indirect cost rate of 58.584%

Note: This rate only applied to FY 20, and is not applicable to any other fiscal year or program billing.

VIII. CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal to establish billing or final indirect costs for July 1, 2021 - June 30, 2022 are allowable in accordance with the requirements of the Federal award(s) to which they apply and 2 CFR Part 200 (*commonly referred to as the Super Circular*). Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the methodology.

I declare that the foregoing is true and correct.

Governmental Unit:	Gateway Area Development District
Name of Official:	Joshua A. Farrow
Title:	Executive Director
Date of Execution:	May 24, 2021
Signature:	

IX. OTHER SUPPORTING DOCUMENTATION

(Available upon request)

1. Approved FY Budget
2. Sample checks
3. Sample invoices
4. Contracts
5. Timesheets
6. Check Register
7. Payroll Distribution Sheets
8. Written Policies
9. Personnel Policies
10. Cash Receipts
11. Deposit Slips
12. Bank Statements
13. Board of Director's Minutes
14. Bank Reconciliation
15. Travel Expense Report
16. Others as requested

GATEWAY AREA DEVELOPMENT DISTRICT
Morehead, Kentucky

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FINANCIAL STATEMENTS
June 30, 2020

C O N T E N T S

Independent Auditors' Report 1-2

Management's Discussion and Analysis 3-7

Government-wide Financial Statements

Statement of Net Position 8

Statement of Activities 9

Fund Financial Statements

Balance Sheet – Governmental Funds 10

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Funds 11

Statement of Net Position – Proprietary Funds 12

Statement of Revenues, Expenses, and
Changes in Fund Net Position – Proprietary Funds 13

Statement of Cash Flows – Proprietary Funds 14

Notes to Financial Statements 15-35

Required Supplementary Information

Budgetary Comparison Schedule 36

Schedule of Proportionate Share of the Net Pension Liability 37

Schedule of Contributions – Pension 38

Schedule of Proportionate Share of the Net OPEB Liability 39

Schedule of Contributions – OPEB 40

Notes to Required Supplementary Information 41-42

Supplementary Information

Schedule of Shared Costs 43

Schedule of Revenues and Expenses Compared to
Budget – Joint Funding Administration Program 44

Statement of Completed Grants – Area Agency on Aging 45-47

Schedule of Revenues and Expenses – Participant Directed
Services (PDS) Program 48

Statement of Operations by Program and Supporting Services – Other Grants 49

C O N T E N T S

Supplementary Information (continued)

Statement of Operations by Program and Supporting Services 50

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* 51-52

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance 53-54

Schedule of Expenditures of Federal Awards 55

Schedule of Findings and Questioned Costs 56

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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, 2020, 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, 2020, 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.

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 37-42 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 October 9, 2020 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
October 9, 2020

GATEWAY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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.

This discussion and analysis narrative provides an overview of GADD's financial performance during the 2020 fiscal year, as compared to the prior fiscal year ending June 30, 2019. 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, in 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, 2020 as summarized in the following table.

Condensed Statement of Net Position

	FY 2020	FY 2019
Current assets	$ 2,766,852	$ 2,711,719
Notes receivable, long term	307,749	151,420
Capital assets	835,216	783,131
Other noncurrent assets	9,770	10,132
Deferred outflows of resources	797,952	465,084
Total assets and deferred outflows	$ 4,717,539	$ 4,121,486
Current liabilities	$ 382,197	$ 409,762
Net pension liability	1,951,037	1,442,976
Net OPEB liability	466,692	420,771
Other Long term liabilities	942,769	985,019
Total liabilities	3,742,695	3,258,528
Deferred inflow of resources	251,065	205,726
Net position		
Net investment in capital assets	(59,306)	(146,918)
Restricted for depreciation	59,749	59,707
Restricted for programs	698,982	496,072
Restricted for economic development	492,674	489,385
Unrestricted	(468,320)	(241,014)
Total net position	723,779	657,232
Total liabilities, deferred inflows, and net position	$ 4,717,539	$ 4,121,486

At the close of the fiscal year, assets (net of deferred outflows) exceeded total liabilities by $176,892. Total assets (including deferred outflows) increased $596,053 (14.46%) from June 30, 2019, which is reflective of four main factors – the issuance of a $200,000 RLF loan to the Mt. Sterling / Montgomery County Industrial Authority, a significant increase in Accounts Receivable from the PDS Program (for which GADD is the fiscal agent) associated with the timing of reimbursements, a large increase is capital assets mostly due to GADD's recent office building improvements (e.g., siding), and a $332,868 increase 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 decreased 6.73% from June 30, 2019 which reflects the transfer of cash remaining in the Morgan County Tornado Relief Fund ($88,960) to the Morgan County Cemetery Board, and a $61,798 increase in items occurring as a matter of normal operations.

Governmental Accounting 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 increased the liability accounts by $553,982.

Other long term liabilities decrease of $42,252 (4.29%) from June 30, 2019 reflects the scheduled retirement of debt, the primary of which is GADD's USDA loans.

GADD's revenues earned and expenses incurred throughout fiscal year 2020 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 2020	FY 2019
Revenues:		
Charges for services	$ 912,662	$ 713,097
Operating grants and contributions	1,655,276	1,574,291
General revenues (member dues)	48,991	48,991
Total revenues	2,616,929	2,336,379
Expenses:		
General government	19,766	10,754
Community/Economic development	309,380	305,812
Transportation services	87,658	92,399
Aging and independent living services	2,092,495	1,810,760
Interest on long-term debt	36,858	42,734
Other	4,225	6,722
Total operating expenses	2,550,382	2,269,181
Increase (decrease) in net position	66,547	67,198
Net assets – beginning of year, as restated	657,232	591,636
Prior year adjustments	-	(1,602)
Net Assets – End of Year	$ 723,779	$ 657,232

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, 2020 to those earned in June 30, 2019, reflects an $280,551 (12%) increase indicating a continued 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 $281,202 or 12.4% increase in 2020. The largest contributing factor is an increase in the GASB required CERS and OPEB pension-related net adjustments – from $105,384 in fiscal year 2019 to $266,453 in fiscal year 2020.

Statement of Operations by Program and Supporting Information (page 50)

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 2020	FY 2019
Revenues:		
Federal grant	$ 711,082	$ 656,943
State grant	1,017,420	959,693
Local / service fees	755,010	638,698
Program income	73,417	81,045
Total Revenues	2,616,929	2,336,379
Expenses:		
Salaries	758,464	744,190
Fringe benefits	426,455	382,040
Net pension adjustment	266,453	105,384
Travel	36,485	45,804
Contractual services	398,420	423,688
Other	664,105	568,075
Total Expenses	2,550,382	2,269,181
Excess of Revenues Over(Under) Expenses	**$ 66,547**	**$ 67,198**

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 2020, GADD earned $111,866 (6.92%) more revenue than in fiscal year 2019. This was primarily contributable to a significant increase in the "performance contracts" category comprised of the various contractual agreements with our cities and counties that our Planning Departmental staff administers.

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, 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 2020 shows a $116,312 (18.21%) total increase in these revenues over the revenue earned in 2019. In 2020, GADD earned an additional $38,761 in PDS service fees and an additional $82,716 in the PDS Fiscal Agent Equity account, as compared to the amounts earned in 2019. There was just a slight increase ($5,921) in the Aging programs' local revenue.

Program income has three (3) components. First is the money donated by the region's senior citizens toward services received, such as meals or transportation. Due to the Coronavirus COVID-19 pandemic, GADD had to close it Senior Centers in March 2020. This contributed to a $9,043 reduction in these receipts over those received in 2019. Second is the Proprietary Funds (i.e., RLF and NHPLP) interest collected on the loans made under these programs. Fiscal year 2020 showed a $1,416 increase over the amount of receipts in fiscal 2019. The third component is dues paid by the region's five cities and five counties. This amount ($48,991) stayed the same in both fiscal years.

A closer analysis of the expenses shows that personnel costs (salaries plus fringe benefits) increased $58,689 (5.2%) in fiscal year 2020, which reflects a small cost-of-living increase and an increase in fringe benefits cost (e.g., the CERS employer rate of 24.06% in fiscal 2020 vs. 21.48% in fiscal 2019). Both of these segments were in line with management's expectations.

Travel expenses associated with business-related trips incurred during fiscal year 2020 decreased by $9,319 (20.35%) over those incurred during 2019. When the coronavirus pandemic occurred, the majority of travel in every GADD department was halted and major conferences were cancelled.

Contractual services primarily include the Aging sub-provider service agreements, along with a few other miscellaneous contracts with a professional agency or individual. There was only a slight decrease (5.96%) in fiscal 2020 expenses from those in 2019.

All other expenses (e.g., utilities, office expenses, depreciation, telephone, food, supplies, dues, interest, repairs/maintenance, rent, insurance) are incurred for operational purposes. During fiscal year 2020, this category increased by 16.9% ($96,030) from those incurred in fiscal year 2019. These types of costs fluctuate from year to year, but the largest increase this year involved significant repairs made to GADD's building and property.

CAPITAL ASSETS

GADD continued its investment in capital assets during fiscal year 2020. The amount is comprised of property, furniture, equipment, vehicles, building and land. Net capital assets increased 6.65% and reflected a net balance of $835,216 at June 30, 2020.

	6-30-19 Balance	FY 2020 Additions	FY 2020 Deletions	6-30-20 Balance
Property and equipment	$ 514,832	$ 23,661	$ (320,338)	$ 218,155
Building and land	1,109,832	62,017	-	1,171,849
Total fixed assets	1,624,664	85,678	(320,338)	1,390,004
Less: accumulated depreciation	(841,533)	(33,593)	320,338	(554,788)
Net	$ 783,131	$ 52,085	$ -	$ 835,216

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

GADD considered many contributing factors when initially setting the fiscal year 2020 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 local contracts. Due to this, a portion of our annual revenue is stable.

The largest change in fiscal year 2020 relates to the unprecedented Coronavirus COVID-19 pandemic that affected all businesses, including the state's fifteen Area Development Districts. In order to protect the health and safety of our region's most vulnerable citizens (i.e. seniors), GADD closed its Senior Centers to in-person activity and provided necessary services mandated by Kentucky's governor (e.g. meals) in an alternative method via drive-thru services and home delivered meals. Governor Andy Beshear has mandated that anyone over the age of 60 who wants a meal will receive one. GADD has followed this order in the latter part of fiscal year 2020 and into fiscal year 2021.

It is crucial that GADD's 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. Effective fiscal year 2021, GADD has been awarded new grants, including two large grants within the Planning department. These grants are an Economic Development Administration (EDA) Economic Recovery grant and an EDA Revolving Loan Fund (RLF) Economic Recovery grant. While GADD anticipates these grants having a positive impact on the organization, state budget cuts are also anticipated given the impact COVID-19 has had on the state's revenues. Over the past two fiscal years, GADD has seen growth in local contracts, and the organization will continue to explore, develop, and cultivate new contractual opportunities to offset projected cuts.

In recent history, GADD has realized budget reductions in numerous programs across the organization. It is highly anticipated we will incur additional cuts in fiscal year 2021, especially in state funds. Management is optimistic that once the Coronavirus pandemic is over, that a normal means of operating will resume. In the interim, GADD will continue to pursue new opportunities for future sustainability and growth.

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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash - unrestricted	$ 1,449,311	$ -	$ 1,449,311
Cash - restricted	59,749	343,096	402,845
Accounts receivable, net	856,085	-	856,085
Prepaid expense	1,660	-	1,660
Restricted notes receivable, current	-	56,951	56,951
Total current assets	2,366,805	400,047	2,766,852
Noncurrent assets			
Notes receivable, net of current portion	-	307,749	307,749
Other noncurrent assets	9,770	-	9,770
Capital assets, net	835,216	-	835,216
Total noncurrent assets	844,986	307,749	1,152,735
Total assets	3,211,791	707,796	3,919,587
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	557,443	-	557,443
Deferred outflows of resources - OPEB	240,509	-	240,509
Total deferred outflows of resources	797,952	-	797,952
Total assets and deferred outflows of resources	$ 4,009,743	$ 707,796	$ 4,717,539
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	$ 269,885	$ -	$ 269,885
Accrued payroll and payroll taxes	48,994	-	48,994
Accrued interest payable	3,538	-	3,538
Other current liabilities	25,390	-	25,390
Unearned grant revenue	5,978	-	5,978
Notes payable, current portion	20,929	7,483	28,412
Total current liabilities	374,714	7,483	382,197
Long-term liabilities			
Accrued annual leave	40,332	-	40,332
Net pension liability	1,951,037	-	1,951,037
Net OPEB liability	466,692	-	466,692
Long-term debt	873,593	28,844	902,437
Total long-term liabilities	3,331,654	28,844	3,360,498
Total liabilities	3,706,368	36,327	3,742,695
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	69,768	-	69,768
Deferred inflows of resources - OPEB	181,297	-	181,297
Total deferred inflows of resources	251,065	-	251,065
Net position			
Net investment in capital assets	(59,306)	-	(59,306)
Restricted for depreciation	59,749	-	59,749
Restricted for programs	698,982	-	698,982
Restricted for economic development	-	492,674	492,674
Unrestricted	(647,115)	178,795	(468,320)
Total net position	52,310	671,469	723,779
Total liabilities, deferred inflows of resources, and net position	$ 4,009,743	$ 707,796	$ 4,717,539

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

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
for the year ending June 30, 2020

Functions/Programs	Direct Expenses	Indirect Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position Primary Government: Total
Primary government:								
Governmental activities								
General government	$ 19,766	$ -	$ 107,095	$ -	$ -	$ 87,329	$ -	$ 87,329
Community/Economic development	211,287	98,093	133,226	218,679	-	42,525	-	42,525
Transportation services	61,146	26,512	7,507	113,975	-	33,824	-	33,824
Aging and independent living services	1,672,197	420,298	654,678	1,322,622	-	(115,195)	-	(115,195)
Interest on long-term debt	36,858	-	-	-	-	(36,858)	-	(36,858)
Total governmental activities	2,001,254	544,903	902,506	1,655,276	-	11,625	-	11,625
Business-type activities:								
Revolving loan funds	2,808	1,417	10,156	-	-	-	5,931	5,931
Total business-type activities	2,808	1,417	10,156	-	-	-	5,931	5,931
Total primary government	$ 2,004,062	$ 546,320	$ 912,662	$ 1,655,276	$ -	11,625	5,931	17,556
			General revenues:					
			Member dues			48,991	-	48,991
			Total general revenues			48,991	-	48,991
			Transfers in (out)			1,223	(1,223)	-
			Total general revenues and transfers			50,214	(1,223)	48,991
			Change in Net Positon			61,839	4,708	66,547
			Net position-beginning			(9,529)	666,761	657,232
			Prior year adjustments			-	-	-
			NET POSITION-ENDING			$ 52,310	$ 671,469	$ 723,779

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

GATEWAY AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Special Revenue Funds	Total Government Funds
ASSETS			
Current assets			
Cash - unrestricted	$ 1,172,537	$ 276,774	$ 1,449,311
Cash - restricted	-	59,749	59,749
Accounts receivable, net	218,250	637,835	856,085
Prepaid expense	1,660	-	1,660
Total assets	$ 1,392,447	$ 974,358	$ 2,366,805
LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	$ 60,236	$ 209,649	$ 269,885
Accrued payroll and payroll taxes	48,994	-	48,994
Other current liabilities	25,390	-	25,390
Unearned grant revenue	-	5,978	5,978
Total liabilities	134,620	215,627	350,247
Fund balances			
Nonspendable	1,660	-	1,660
Restricted for programs	-	698,982	698,982
Restricted for depreciation	-	59,749	59,749
Assigned for senior center fundraising	15,173	-	15,173
Unassigned	1,240,994	-	1,240,994
Total fund balance	1,257,827	758,731	2,016,558
Total liabilities and fund balance	$ 1,392,447	$ 974,358	$ 2,366,805
Total government fund balances			$ 2,016,558
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			835,216
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds			9,770
Accrued interest payable on long-term debt			(3,538)
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			(2,805,696)
Net position of governmental activities			$ 52,310

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, 2020

	General Fund	Special Revenue Funds	Total Government Funds
REVENUES			
Federal	$ -	$ 771,082	$ 771,082
State	133,226	884,194	1,017,420
Local / service fees (includes in-kind and program income)	156,448	662,185	818,633
Total revenues	289,674	2,317,461	2,607,135
EXPENDITURES			
General government	19,111	-	19,111
Community/economic development	48,803	208,033	256,836
Transportation services	-	72,723	72,723
Aging and independent living services	-	1,858,354	1,858,354
Debt service	72,000	-	72,000
Capital outlay	85,679	-	85,679
Total expenditures	225,593	2,139,110	2,364,703
Excess (deficiency) of revenues over (under expenditures)	64,081	178,351	242,432
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	330	30,952	31,282
Transfers out	(23,708)	(6,351)	(30,059)
Total other financing sources (uses)	(23,378)	24,601	1,223
Net change in fund balances	40,703	202,952	243,655
Fund balances - beginning	1,217,124	555,779	1,772,903
FUND BALANCES - END OF YEAR	$ 1,257,827	$ 758,731	$ 2,016,558

Net change in fund balances - total governmental funds	$ 243,655
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:	
Capital outlay	85,679
Depreciation expense	(33,593)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	35,142
Change in other long-term assets	(362)
Change in accrued annual leave	(2,229)
Change in the net pension and OPEB liabilities and related deferred inflows and outflows	(266,453)
Change in net position of governmental activities	$ 61,839

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

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities		
	EDA Revolving Loan Fund	**NHPLP Revolving Loan Fund**	**Total Proprietary Funds**
ASSETS			
Current assets			
Cash - restricted	$ 320,099	$ 22,997	$ 343,096
Restricted notes receivable, current	53,536	3,415	56,951
Total current assets	373,635	26,412	400,047
Restricted notes receivable, net	283,266	24,483	307,749
Total assets	$ 656,901	$ 50,895	$ 707,796
LIABILITIES			
Current liabilities			
Notes payable, current portion	$ -	$ 7,483	$ 7,483
Long-term liabilities			
Long-term debt	-	28,844	28,844
Total liabilities	-	36,327	36,327
LIABILITIES AND NET POSITION			
Net position			
Restricted for economic development	478,106	14,568	492,674
Unrestricted	178,795	-	178,795
Total net position	656,901	14,568	671,469
Total liabilities and net position	$ 656,901	$ 50,895	$ 707,796

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, 2020

	Business-type Activities		
	EDA Revolving Loan Fund	**NHPLP Revolving Loan Fund**	**Total Proprietary Funds**
REVENUES			
Local / service fees	$ 367	$ 15	$ 382
Program income	9,075	699	9,774
Total operating revenues	9,442	714	10,156
EXPENSES			
Salaries	1,430	-	1,430
Fringe benefits	988	-	988
Other	-	390	390
Shared costs	1,417	-	1,417
Total operating expenses	3,835	390	4,225
Operating income	5,607	324	5,931
Transfer in (out)	(1,223)	-	(1,223)
Increase in net position	4,384	324	4,708
Net position - beginning	652,517	14,244	666,761
Net position - END OF YEAR	$ 656,901	$ 14,568	$ 671,469

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Other receipts	$	10,156
Payments to suppliers and providers of goods and services		(1,807)
Payments to employee services and benefits		(2,418)
Net cash provided by operating activities		5,931
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES ACTIVITIES		
(Issuance) of note receivable		(200,000)
Payments received on notes receivable		42,487
Payments made on long-term debt		(8,288)
Transfer out		(1,223)
Net cash (used in) noncapital related financing activities		(167,024)
Net (decrease) in cash		(161,093)
Cash - beginning of the year		504,189
CASH - END OF THE YEAR	$	343,096
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	5,931
Net cash provided by operating activities	$	5,931

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.

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:

Government Fund Types

- The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use, 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, 2020 was $40,332.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit at financial institutions with an initial maturity of ninety days or less.

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 October 9, 2020, 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, 2020, 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, 2020:

Aging	$ 292,308
PDS	406,516
JFA	49,397
Transportation	18,498
Various local	89,366
Total	$ 856,085

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, 2020, the District financial statements include revolving loans receivable of $374,289 and cash of $320,099.

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, 2020 were as follows:

Revolving loans - business	$ 374,289
NHPLP	46,966
Total loans	421,255
Less: allowance for NHPLP	(19,068)
Less: allowance for RLF	(37,487)
Net loans	364,700
Less: current portion	(56,951)
Long-term portion of loans	$ 307,749

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	06/30/19	Additions	Deductions	06/30/20
Land, not being depreciated	$ 18,500	$ -	$ -	$ 18,500
Assets being depreciated:				
Buildings	1,091,332	62,017	-	1,153,349
Equipment	514,832	23,661	(320,338)	218,155
Totals at historical cost	1,624,664	85,678	-	1,390,004
Less: accumulated depreciation	(841,533)	(33,593)	320,338	(554,788)
Capital assets, net	$ 783,131	$ 52,085	$ -	$ 835,216

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

Community/Economic development	$ 6,048
Transportation services	1,634
Aging and independent living services	25,911
Total	$ 33,593

6. LONG-TERM DEBT

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

Description	Balance at June 30, 2019	Issued	Payments	Balance at June 30, 2020
Business-type activities: Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2025	$ 44,614	$ -	$ 8,288	$ 36,326
Governmental activities: USDA Rural Development, secured by office building, 2 loans of $550,000, interest at a rate of 4.125%, due June, 2047	930,050	-	35,527	894,523
	$ 974,664	$ -	$ 43,815	$ 930,849

6. LONG-TERM DEBT (CONTINUED)

Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2020:

Year	Principal	Interest	Total
2021	$ 28,412	$ 37,262	$ 65,674
2022	28,802	36,324	65,126
2023	28,541	35,355	63,896
2024	28,181	34,361	62,542
2025	36,033	33,340	69,373
2026-2030	139,095	150,045	289,140
2031-2035	170,250	118,890	289,140
2036-2040	208,383	80,757	289,140
2041-2045	255,057	34,083	289,140
2046-2047	8,095	334	8,429
Totals	$ 930,849	$ 560,751	$ 1,491,600

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Compensated absences	$ 38,101	$ 2,231	$ -	$ 40,332
Long-term debt	974,664	-	43,815	930,849
Net pension liability	1,442,976	508,061	-	1,951,037
Net OPEB liability	420,771	45,921	-	466,692
	$ 2,876,512	$ 556,213	$ 43,815	$ 3,388,910

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, 2020 was $59,749.

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, 2020, 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, 2020, participating employers contributed 24.06% 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 19.30% 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, 2020, the District contributed $173,492, or 100% of the required contribution. The contribution was allocated $139,169 to the CERS pension fund and $34,323 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, 2020, the District reported a liability for its proportionate share of the net pension liability of $1,951,037. The net pension liability was measured as of June 30, 2019, 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, 2019 was .027741 percent, which was an increase of .004048 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $393,501. At June 30, 2020, 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	$ 49,816	$ 8,244
Changes of assumptions	197,467	-
Net difference between projected and actual earnings on Plan investments	-	31,452
Changes in proportion and differences between District contributions and proportionate share of contributions	170,991	30,072
District contributions subsequent to the measurement date	139,169	-
Total	$ 557,443	$ 69,768

The $139,169 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, 2020. 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,	
2021	$ 194,127
2022	$ 105,888
2023	$ 46,261
2024	$ 2,230

9. PENSION PLAN (CONTINUED)

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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
Growth	**62.50%**	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	**100.00%**	**6.25%**

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 funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

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%	$ 2,440,194
Current discount rate	6.25%	$ 1,951,037
1% increase	7.25%	$ 1,543,329

Payable to the Pension Plan – At June 30, 2019, the District reported a payable of $16,553 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020, of which $13,278 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, 2020, the employer's contribution was 4.76% 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, 2020, the District contributed $34,323, 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, 2020, the District reported a liability for its proportionate share of the net OPEB liability of $466,692. The net OPEB liability was measured as of June 30, 2019, 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, 2019 was .027741 percent, which was an increase of .004048 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of $57,772. At June 30, 2020, 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	$ -	$ 140,812
Changes of assumptions	138,099	923
Net difference between projected and actual earnings on Plan investments	-	20,728
Changes in proportion and differences between District contributions and proportionate share of contributions	58,066	18,834
District contributions subsequent to the measurement date	44,344	-
Total	$ 240,509	$ 181,297

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

The $44,344 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, 2020. This includes an adjustment of $10,021 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,	
2021	$ 3,113
2022	$ 3,113
2023	$ 9,704
2024	$ (2,936)
2025	$ 517
2026	$ 1,357

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, 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 4.05% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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
Growth	**62.50%**	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	**100.00%**	**6.25%**

Discount Rate – The discount rate used to measure the total OPEB liability was 5.68% 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 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2019, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". As of June 30, 2019, 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". 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.

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:

	Discount rate	District's proportionate share of net OPEB liability
1% decrease	4.68%	$ 625,175
Current discount rate	5.68%	$ 466,692
1% increase	6.68%	$ 336,112

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

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:

	District's proportionate share of net OPEB liability	
1% decrease	$	347,081
Current trend rate	$	466,692
1% increase	$	611,734

Payable to the Pension Plan – At June 30, 2020, the District reported a payable of $3,275 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020. The payable includes only the insurance contribution allocation.

11. CASH AND CASH EQUIVALENTS

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 $1,852,156. The bank balance totaled $1,904,118 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, 2020 was $8,672.

Future minimum lease payments under operating leases as of June 30, 2020 are as follows:

Year	Amount
2021	$ 10,124
2022	7,325
	$ 17,449

17. UNEARNED REVENUE

Unearned revenue includes revenues received, but not earned under the following programs, as of June 30, 2020:

Melodies & Memories	$ 13
JFA	5,923
MIPPA	42
	$ 5,978

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.

During the year ended June 30, 2020, the District earned $419,112 from the PDS program for administration and the District was owed $406,516 by the PDS program.

19. 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 were included as restricted cash and as a liability. 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, 2020, the District transferred the funds to the Morgan County Cemetery Board, after it established its 501(c)(3) non-profit status. These funds will be used to maintain private cemetery access roads throughout Morgan County.

REQUIRED SUPPLEMENTARY INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
for the year ended June 30, 2020

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Federal	$ 1,009,791	$ 1,009,791	$ 771,082	$ (238,709)
State	912,399	912,399	1,017,420	105,021
Local / service fees	795,062	795,062	818,633	23,571
Total revenues	2,717,252	2,717,252	2,607,135	(110,117)
EXPENDITURES				
Salaries	749,782	749,782	757,034	(7,252)
Fringe benefits	408,269	408,269	425,467	(17,198)
Travel	42,908	42,908	36,485	6,423
Contracts	523,507	523,507	398,420	125,087
Other	485,489	485,489	589,618	(104,129)
Debt service	-	-	72,000	(72,000)
Capital outlay	-	-	85,679	(85,679)
Total expenditures	2,209,955	2,209,955	2,364,703	(154,748)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	31,282	(31,282)
Transfers out	-	-	(30,059)	30,059
Total other financing sources (uses)	-	-	1,223	(1,223)
Excess (deficiency) of revenues over (under expenditures)	507,297	507,297	243,655	(263,642)
Fund balance, July 1, 2019	1,772,903	1,772,903	1,772,903	-
Fund balance, June 30, 2020	$ 2,280,200	$ 2,280,200	$ 2,016,558	$ (263,642)

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 or capital outlay expenditures.

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
fot the year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2015	2016	2017	2018	2019	2020
	(2014)	(2015)	(2016)	(2017)	(2018)	(2019)
District's proportion of the net pension liability	0.023757%	0.026358%	0.023049%	0.025169%	0.023693%	0.027741%
District's proportionate share of the net pension liability (asset)	$ 771,000	$ 1,133,285	$ 1,142,524	$ 1,473,219	$ 1,442,976	$ 1,951,037
District's covered employee payroll	$ 545,052	$ 614,979	$ 553,557	$ 618,456	$ 582,071	$ 700,070
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	141.454%	184.280%	206.397%	238.209%	247.904%	278.692%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

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

The accompaying notes are an integral part of this schedule

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

	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	$ 78,414	$ 68,750	$ 86,300	$ 81,535	$ 113,529	$ 139,169
Contributions relative to contractually required employer contribution	78,414	68,750	86,300	81,535	113,529	139,169
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 614,979	$ 553,557	$ 618,456	$ 582,071	$ 700,070	$ 747,917
Employer contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.01%	16.22%	18.61%

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

The accompaying notes are an integral part of this schedule

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
for the year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2017	2018	2019	2020
	(2016)	(2017)	(2018)	(2019)
District's proportion of the net OPEB liability	0.023049%	0.025169%	0.023693%	0.027741%
District's proportionate share of the net OPEB liability (asset)	$ 396,878	$ 505,983	$ 420,771	$ 466,692
District's covered employee payroll	$ 553,557	$ 618,456	$ 582,071	$ 700,070
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	71.70%	81.81%	72.29%	66.66%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

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

The accompaying notes are an integral part of this schedule

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

	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	$ 30,259	$ 25,684	$ 29,262	$ 30,461	$ 36,817	$ 34,323
Contributions relative to contractually required employer contribution	30,259	25,684	29,262	30,461	36,817	34,323
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 614,979	$ 553,557	$ 618,456	$ 582,071	$ 700,070	$ 747,917
Employer contributions as a percentage of covered-employee payroll	4.92%	4.64%	4.73%	5.23%	5.26%	4.59%

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

GATEWAY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2019 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 - Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 - Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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 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 assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 - Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015.

June 30, 2014 - Pension

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2014:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2020

INDIRECT EXPENDITURES:		
Salaries	$	156,405
Fringe benefits		93,144
Travel		6,299
Legal and accounting		38,321
Equipment, leases, depreciation and amortization		48,271
Office expense		10,549
Postage		2,065
Telephone and utilities		17,249
Committee meetings		954
Dues, fees and subscriptions		17,745
Insurance		33,367
Interest		36,858
Repairs and maintenance		52,786
Contract services		26,701
Other		5,606
Total	$	546,320
ALLOCATION OF SHARED COSTS:		
Joint Funding Administration	$	79,889
Aging programs		296,009
Participant Directed Services Program		112,074
Traditional Case Management		12,215
KYTC Roadway		2,684
KY Infrastructure Authority		16,456
EDA SOAR Initiative BSADD		25
Transportation planning		7,372
Revolving loan program		1,417
Performance contracts		18,179
Total	$	546,320

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ending June 30, 2020

		Budget	Direct	Indirect	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		$ 143,497			$ 131,835	$ (11,662)	
State Funds		100,635			86,789	(13,846)	
Local Funds		-			-	-	
		244,132			218,624	(25,508)	
Expenses							
Community & Economic Planning & Development	120	83,333	51,899	30,396	82,295	(1,038)	
Community Development Block Grant	125	30,861	10,467	5,657	16,124	(14,737)	
ARC Planning	130	125,475	73,638	42,234	115,872	(9,603)	
Management Assistance	140	210	54	32	86	(124)	
Program Administration	150	4,253	2,677	1,569	4,246	(7)	-
		244,132	138,735	79,889	218,624	(25,508)	$ -
Revenues over Expenses		$ -			$ -	$ -	

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS
AREA AGENCY ON AGING
for the year ended June 30, 2020

	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	$ -	$ 115,909	$ 14,800	$ 183,373	$ 182,559	$ 2,231	$ 39,239	$ 8,779	$ 1,515	$ -	$ -
State grant	-	5,785	-	18,674	7,053	-	19,953	-	-	-	-
Local	-	10,481	-	17,500	165,700	-	-	1,549	268	-	-
Program income	-	656	-	13,296	612	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-	-	-
Total revenues	-	132,831	14,800	232,843	355,924	2,231	59,192	10,328	1,783	-	-
Expenses											
Direct expenses:											
Salaries	43,058	20,526	-	-	-	870	5,173	-	-	110,957	63,121
Fringe benefits	28,067	12,669	-	-	-	480	3,366	-	-	53,221	34,706
Travel	1,102	2,983	-	-	-	71	199	-	-	1,449	184
Contracts	-	21,871	14,800	-	-	-	1,444	10,328	1,783	-	-
Other	9,277	96	-	17,110	5,334	19	37,694	-	-	74,873	140,577
Total direct expenses	81,504	58,145	14,800	17,110	5,334	1,440	47,876	10,328	1,783	240,500	238,588
Shared costs	41,672	19,449	-	-	-	791	5,003	-	-	96,192	57,317
Total expenses	123,176	77,594	14,800	17,110	5,334	2,231	52,879	10,328	1,783	336,692	295,905
Intrafund transfers in (out)	123,176	(55,237)	-	(215,733)	(350,590)	-	(6,313)	-	-	336,692	295,905
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS
AREA AGENCY ON AGING
for the year ended June 30, 2020

	Homecare		Personal					
	Adminis-tration	Social Services	Care Program	NSIP	Medicaid ADRC	SHIP	LTC Ombudsman	FAST
Revenues								
Federal grant	$ -	$ -	$ -	$ 36,455	$ 6,840	$ 24,208	$ -	$ 1,000
State grant	34,161	296,806	265,049	-	6,840	-	29,109	-
Local	-	25,416	-	-	-	-	-	-
Program income	-	88	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-
Total revenues	34,161	322,310	265,049	36,455	13,680	24,208	29,109	1,000
Expenses								
Direct expenses:								
Salaries	5,339	67,555	-	-	4,717	-	-	-
Fringe benefits	3,593	40,468	-	-	2,770	-	-	-
Travel	-	14,579	-	-	-	-	-	-
Contracts	-	2,275	238,423	-	2,319	22,998	27,837	-
Other costs	-	50,673	-	36,455	-	-	1,272	1,000
Total direct expenses	8,932	175,550	238,423	36,455	9,806	22,998	29,109	1,000
Shared costs	5,234	63,290	-	-	4,386	-	-	-
Total expenses	14,166	238,840	238,423	36,455	14,192	22,998	29,109	1,000
Intrafund transfers in (out)	(19,995)	(83,470)	(26,626)	-	512	(1,210)	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS
AREA AGENCY ON AGING
for the year ended June 30, 2020

	MIPPAA	Non-Medicaid ADRC	Area Agency on Aging Totals
Revenues			
Federal grant	$ 22,284	$ -	$ 639,192
State grant	-	-	683,430
Local	-	-	220,914
Program income	-	-	14,652
Local funds applied	-	-	-
Total revenues	22,284	-	1,558,188
Expenses			
Direct expenses:			
Salaries	-	2,639	323,955
Fringe benefits	-	1,927	181,267
Travel	-	-	20,567
Contracts	22,284	1,356	367,718
Other costs	-	644	375,024
Total direct expenses	22,284	6,566	1,268,531
Shared costs	-	2,675	296,009
Total expenses	22,284	9,241	1,564,540
Intrafund transfers	-	9,241	6,352
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, 2020

	Participant Directed Services	Traditional Case Management	PDS Totals
Revenues			
Service fees	$ 370,112	$ 49,000	$ 419,112
Total revenues	370,112	49,000	419,112
Expenses			
Direct expenses:			
Salaries	128,779	12,773	141,552
Fringe benefits	62,507	8,074	70,581
Travel	5,346	1,382	6,728
Other	6,075	650	6,725
Total direct expenses	202,707	22,879	225,586
Shared costs	112,074	12,215	124,289
Total expenses	314,781	35,094	349,875
Intrafund transfers	(6,351)	-	(6,351)
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ 48,980	$ 13,906	$ 62,886

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES
OTHER GRANTS
for the year ended June 30, 2020

	KYTC Roadway Centerline Data	KY Infrastructure Authority	Trans-portation	EDA SOAR	Totals
Revenues					
Federal grant	$ -	$ -	$ -	$ 55	$ 55
State grant	-	47,013	66,962	-	113,975
Local / service fees	7,507	-	-	-	7,507
Program income	-	-	-	-	-
Local funds applied	-	-	-	-	-
Total revenues	7,507	47,013	66,962	55	121,537
Expenses					
Direct expenses:					
Salaries	2,901	18,829	8,009	-	29,739
Fringe benefits	1,777	9,259	4,575	43	15,654
Travel	43	550	56	-	649
Contracts	-	-	-	-	-
Other	102	2,005	1,640	-	3,747
Total direct expenses	4,823	30,643	14,280	43	49,789
Shared costs	2,684	16,456	7,372	25	26,537
Total expenses	7,507	47,099	21,652	68	76,326
Intrafund transfers	-	-	7,439	14	7,453
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ (86)	$ 52,749	$ -	$ 52,664

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES
for the year ended June 30, 2020

	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	$ 131,835	$ 639,192	$ 55	$ -	$ -	$ -	$ -	$ -	$ -	$ 771,082
State grant	86,789	683,430	113,975	-	-	133,226	-	-	-	1,017,420
Local / service fees	-	220,914	7,507	367	15	-	419,112	-	107,095	755,010
Program Income	-	14,652	-	9,075	699	-	-	-	48,991	73,417
Local funds applied	-	-	-	-	-	-	-	-	-	-
Total revenues	218,624	1,558,188	121,537	9,442	714	133,226	419,112	-	156,086	2,616,929
Expenses										
Direct expenses:										
Salaries	84,853	323,955	29,739	1,430	-	19,053	141,552	156,405	1,477	758,464
Fringe benefits	51,498	181,267	15,654	988	-	11,975	70,581	93,144	267,801	692,908
Travel	2,204	20,567	649	-	-	38	6,728	6,299	-	36,485
Contracts	-	367,718	-	-	-	-	-	26,702	4,000	398,420
Other	180	375,024	3,747	-	390	1,983	6,725	263,770	12,286	664,105
Total direct expenses	138,735	1,268,531	49,789	2,418	390	33,049	225,586	546,320	285,564	2,550,382
Shared costs	79,889	296,009	26,537	1,417	-	18,179	124,289	(546,320)	-	-
Total expenses	218,624	1,564,540	76,326	3,835	390	51,228	349,875	-	285,564	2,550,382
Intrafund transfers	-	6,352	7,453	-	-	-	(6,351)	-	(7,454)	-
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ 52,664	$ 5,607	$ 324	$ 81,998	$ 62,886	$ -	$ (136,932)	$ 66,547

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2020.

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.

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
October 9, 2020

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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, 2020. 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, 2020.

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
October 9, 2020

GATEWAY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2020

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	23.009	KY-702-D-C51-20	$ -	$ 57,937
Total ARC			-	57,937
Economic Development Administration				
1. Passed through State (DLG) **(note 1)**				
JFA-Community and Economic Assistance	11.302	PON2 112 2000000189	-	65,836
Passed through Big Sandy Area Development District				
Econdomic Development Assistance - SOAR	11.307	04-79-06942		55
2. Economic Development Administration				
Revolving Loan Program **(note 2)**	11.307	N/A	-	523,406
Total EDA			-	589,297
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG)				
JFA- CDBG	14.228	PON2 112 2000000189	-	8,062
U.S. Department of Health and Human Services (HHS)				
Passed through State (CFHS) **(note 3)**				
Title III B Support Services	93.044	PON2 725 2000000214	18,300	92,198
CARES - Title III B Support Services	93.044	PON2 725 2000000214	-	23,711
Total - Title III B Support Services			18,300	115,909
Title III B Ombudsman	93.044	PON2 725 2000000214	14,800	14,800
Title III C1 Congregate Meals	93.045	PON2 725 2000000214	-	158,497
COVID19 - Title III C1 Congregate Meals	93.045	PON2 725 2000000214	-	24,876
Total - Title III C1 Congregate Meals			-	183,373
Title III C2 Home Delivered Meals	93.045	PON2 725 2000000214	-	76,356
CARES - Title III C2 Home Delivered Meals	93.045	PON2 725 2000000214	-	56,450
COVID19 - Title III C2 Home Delivered Meals	93.045	PON2 725 2000000214	-	49,753
Total - Title III C2 Home Delivered Meals			-	182,559
Nutrition Services Incentive Program	93.053	PON2 725 1900000884	-	36,455
Total Aging cluster			33,100	533,096
Title VII Elder Abuse	93.041	PON2 725 1900004491	1,515	1,515
Title VII Ombudsman	93.042	PON2 725 1900004491	2,661	2,661
CARES - Title VII Ombudsman	93.042	PON2 725 1900004491	6,118	6,118
Total - Title VII Ombudsman			8,779	8,779
Title III D Aging Program Preventive Health	93.043	PON2 725 2000000214	-	2,231
Title III E Family Caregiver	93.052	PON2 725 2000000214	-	39,239
Functional Assessment Service Teams (FAST)	93.069	PON2 725 1900000533	-	1,000
ACA - MIPPA	93.071	PON2 725 2000000094	22,284	22,284
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1900000816	-	6,840
CMS SHIP	93.324	PON2 725 1900001119	22,998	24,208
Total HHS			88,676	639,192
Total expenditures of federal awards			$ 88,676	$ 1,294,488

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, 2020, the District had loans outstanding in the amount of $374,289 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 $374,289, plus the cash balance of $320,099, plus the current year administrative expenditures of $3,835, plus no loans were written off in the current year, and then multiplying this total by the Federal share of approximately 75% which equals $523,406.
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 FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020

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**
93.044, 93.045, 93.053	Aging Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as a low-risk auditee?	__Yes	_X_ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE