GATEWAY AREA DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gateway Area Development District
Morehead, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Gateway Area Development District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Gateway Area Development District as of June 30, 2023, and the respective changes in its financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 9 and the Schedule of Proportionate Share of the Net Pension and OPEB Liability and Schedule of Pension and OPEB Contributions on pages 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplemental 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 other supplemental 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 supplemental information is 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 24, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 24, 2023

GATEWAY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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 the 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 report 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 2023 fiscal year, as compared to the prior fiscal year ending June 30, 2022. 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 auditor's 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 10. 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 12. 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 detailed 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, 2023, as summarized in the following table.

Condensed Statement of Net Position as of:

	June 30, 2023	June 30, 2022
Current assets	$3,207,184	$2,823,381
Notes receivable, long term	1,006,443	969,877
Capital assets	1,290,416	829,495
Other noncurrent assets	8,685	9,047
Right to use leased assets	157,893	191,125
Deferred outflows of resources	697,666	818,218
Total assets and deferred outflows	$6,368,287	$5,641,143
Current liabilities	$771,430	$584,266
Net pension & OPEB liability	2,854,710	2,585,673
Lease payable	132,362	162,577
Other Long term liabilities	69,375	325,587
Total liabilities	3,827,877	3,658,103
Deferred inflow of resources	254,744	568,490
Net position		
Net investment in capital assets	1,120,411	507,738
Restricted	2,182,151	2,069,573
Unrestricted	(1,016,896)	(1,162,761)
Total net position	2,285,666	1,414,550
Total liabilities, deferred inflows, and net position	$6,368,287	$5,641,143

At the close of the fiscal year, assets (net of deferred outflows) exceeded total liabilities by $1,842,744. Total assets (including deferred outflows) increased by $727,144 or 12.89% from June 30, 2022, which is reflective of significant capital expenditures (e.g., regional kitchen equipment, senior center vehicles). GADD was able to procure these assets via grant funds. The Current Assets' 13.59% increase is primarily related to the timing of reimbursements from grantees (detailed on page 29). A large portion of the Aging program's funds were expended late in the fiscal year thus increasing the Accounts Receivable account at fiscal year-end. Other changes are reflective of normal operations.

GADD's current liabilities at fiscal year-end increased 32.03% ($187,164) from June 30, 2022. One significant increase was in unearned revenue from our PDS/Traditional program, whereby for a limited amount of time during the COVID pandemic, GADD is eligible to earn an extra 50% in its monthly fees for case management services via what's referred to as Appendix K and expend those funds in future fiscal years.

Governmental Auditing Standards Board (GASB) requires GADD to recognize a net pension liability, a net OPEB liability, and deferred outflows and inflows of resources. *(See footnote 10 and 11 beginning on page 32)*. These accounts reflect the agency's proportionate share of the State of Kentucky's County Employees Retirement System (CERS). The calculations change from year-to-year and have no bearing on GADD's operations. This recognition decreased the asset and deferred outflows accounts by $120,552, whereas the liability accounts were increased by $269,037 as compared to the end of last fiscal year.

Other Long Term Liabilities' significant decrease of $256,212 (78.69%) from June 30, 2022 reflects the scheduled retirement of debt, the primary of which is GADD's USDA loan that the Board of Directors expect to fully repay in fiscal year 2024.

GADD's revenues earned, and expenses incurred throughout Fiscal Year 2023 were in accordance with management's expectations, have been recognized on a full-accrual basis, and are identified in the Statement of Activities.

Condensed Statement of Activities

	FY 2023	FY 2022
Revenues:		
Charges for services	$ 520,624	$ 462,974
Operating grants and contributions	3,828,455	2,471,440
General revenues	52,445	50,639
Total revenues	4,401,524	2,985,053
Expenses:		
General administration	193,676	78,454
Grant programs	3,308,819	2,692,094
Interest expense	13,139	22,285
Loan Funds	14,774	44,065
Total expenses	3,530,408	2,836,898
Increase (decrease) in net position	871,116	148,155
Net assets – beginning of year	1,414,550	1,266,395
Net Assets – End of Year	$ 2,285,666	$ 1,414,550

Revenues are classified into 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 programs, PDS service fees, plus revenue contributed to GADD's two business-type activities (i.e., the Revolving Loan Fund (RLF) program and the Nonprofit Housing Production Loan Program (NHPLP)). "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 Authority, Regional Transportation Planning,

Hazard Mitigation, and various other grants. "General Revenues" are the annual dues contributed by GADD's cities and counties plus interest income. A comparison of revenues earned overall in fiscal year ending June 30, 2023 to those earned in June 30, 2022 reflects a tremendous 47.45% increase ($1,416,471).

The largest variance was in the operating grants and contributions category. GADD was fortunate to receive in excess of $1 million from the Department of Aging and Independent Living (DAIL) from federal funds designated by Governor Andy Beshear and the General Assembly for a state-wide Expanded Senior Meal Program (ESMP) initiative. As a result of the additional funding, GADD was able to expand its senior center services in each of its five counties and acquire much-needed equipment and vehicles.

Expenses are identified with one of four (4) functions. "General Administration" primarily includes expenses related to miscellaneous performance contracts and local operations. "Grant Programs" includes all expenses related to the administering of grant funds for JFA, Aging, Transportation, Participant Directed and Traditional Case Management services, and various other grants. "Interest Expense" is simply the amount of interest incurred on GADD's outstanding loans. "Loan Funds" expenses are those associated with the RLF and the NHPLP, which are also recognized as a business-type activity. Comparing overall expenses incurred in these two fiscal years, there was a $693,510 or 24.45% increase in 2023, primarily contributable to GADD's Aging programs.

Statement of Operations by Program and Supporting Services (page 52)

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 2023	FY 2022
Revenues:		
Federal grant	$ 2,060,971	$ 1,226,806
State grant	1,430,363	1,121,364
Local / service fees	803,233	752,474
Program income	106,957	82,476
Total Revenues	4,401,524	3,183,120
Expenses:		
Salaries	1,115,865	877,219
Fringe benefits	671,466	560,323
Net pension and OPEB adjustment	75,843	180,221
Travel	25,480	20,543
Contractual services	533,962	556,216
Equipment	520,370	0
Other	1,070,400	840,443
Total Expenses	4,013,386	3,034,965
Excess of Revenues Over(Under) Expenses	**$ 388,138**	**$ 148,155**

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 2023, the federal/state grant revenue reflected a significant combined increase by $1,143,164 (48.68%) primarily because of the extra funding received as part of the statewide ESMP initiative.

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, annual adjustment to the PDS fiscal agent equity account, 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 2023 shows a $50,759 (6.75%) increase in this category overall from those revenues recognized in Fiscal Year 2022, contributable to normal operations.

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. These receipts nearly doubled from Fiscal Year 2022, which were influenced by expanding our senior center operations to five days a week versus four days a week, returning from the COVID-19 pandemic, and the implementation of a new region-wide MotorMeals initiative (i.e., a mobile food truck). Second is the Proprietary Funds (i.e., RLF and NHPLP) interest collected on the loans made under these programs. Fiscal Year 2023 showed a $12,623 increase over the amount received the prior year in accordance with the program's loan repayment schedules. The third component is dues paid by the region's five (5) city governments and five (5) county governments. This amount increased slightly ($2,344) based upon the 2020 census data.

A closer analysis of the expenses shows that personnel costs (salaries plus fringe benefits) increased $349,789 (24.33%) in Fiscal Year 2023. Due to expanding the senior center operations, GADD hired eight new positions necessary to maintain activity levels. Also, the Board of Directors and Executive Director were able to increase the salary level of several positions, making GADD more competitive in recruiting and maintaining qualified staff. Both factors were in line with management's expectations.

Travel expenses associated with business-related trips incurred during Fiscal Year 2023 only increased $4,937 over those incurred during Fiscal Year 2022.

Contractual services primarily include the Aging sub-provider service agreements, along with a few other miscellaneous contracts align with normal operations. The decrease in Fiscal Year 2023 is reflective of GADD only operating the Personal Care Attendant Program (PCAP) through December 31, 2022 (i.e., six (6) months versus a full year) at which time DAIL recalled the program in-house.

Equipment category represents one-time expenditures for senior center vans, a wheel-chair accessible regional bus, and various or specialized kitchen equipment. These one-time funds were made available to GADD in Fiscal Year 2023.

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 2023, this category increased by 27.36% from those incurred in Fiscal Year 2022. These types of costs fluctuate from year to year.

Capital Assets

At the end of June 30, 2023, the District's investment in capital assets for its governmental and business-type activities was $1,290,416, representing an increase of $460,921 due mainly to assets purchased with grants less depreciation.

Debt Service

At year-end, the District had $174,820 in outstanding notes payable, compared to $332,888 in the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

GADD considered many contributing factors when initially setting the Fiscal Year 2023 budget, such as the lingering effect of the COVID-19 pandemic, and continued to monitor new developments constantly and carefully as the year unfolded. Our Area Development District receives the majority of its funding from federal, state, and local contracts.

Fiscal Year 2023 was a historical year for GADD. The organization experienced an overwhelming expansion in its Senior Centers Division by providing 37,700 more meals and serving 858 more seniors compared to Fiscal Year 2022.

Also in Fiscal Year 2023, GADD continued to experience growth in its Planning Department, by acquiring new federal/state grants and performance contracts designed to assist our units of local government and water/sewer utilities with grant/loan preparation, project administration, and mapping services.

It is crucial that GADD's Aging and Community/Economic Development programs receive increased funding at both the federal and state levels to recruit and retain quality personnel and to continue providing a high level of service that our Board of Directors, participants, and citizens require and expect.

GADD's leadership remains optimistic that a more standardized means of operations shall continue in Fiscal Year 2024. GADD will continue to explore, develop, and cultivate new opportunities (to offset expected budgetary restrictions) necessary to meet the increased regional demands of an aging population and infrastructure maintenance and expansion. We are excited about a second year of increased funding authorized by the General Assembly and administered by DAIL and the Department for Local Government (DLG).

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, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets -			
Cash and cash equivalents	$ 1,073,753	$ -	$ 1,073,753
Cash and cash equivalents - restricted	59,579	342,061	401,640
Accounts receivable, net	1,633,654	-	1,633,654
Prepaid expenses	1,020	-	1,020
Interfund receivable (payable)	26,224	(26,224)	-
Notes receivable	-	97,117	97,117
Total current assets	2,794,230	412,954	3,207,184
Notes receivable, net of current portion	-	1,006,443	1,006,443
Other noncurrent assets	8,685	-	8,685
Right to use leased assets, net	157,893	-	157,893
Capital assets, net	1,290,416	-	1,290,416
Total assets	4,251,224	1,419,397	5,670,621
Deferred outflows of resources-pension and OPEB	697,666	-	697,666
Total assets and deferred outflows	$ 4,948,890	$ 1,419,397	$ 6,368,287
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current liabilities -			
Accounts payable	$ 329,663	$ -	$ 329,663
Payroll related liabilities	37,749	-	37,749
Accrued interest payable	261	-	261
Other accrued liabilities	46,382	-	46,382
Unearned revenue	160,206	-	160,206
Lease payable, current portion	30,215	-	30,215
Notes payable, current portion	165,321	1,633	166,954
Total current liabilities	769,797	1,633	771,430
Compensated absences	61,509	-	61,509
Net pension liability	2,242,585	-	2,242,585
Net OPEB liability	612,125	-	612,125
Lease payable, net of current	132,362	-	132,362
Notes payable, net of current	-	7,866	7,866
Total liabilities	3,818,378	9,499	3,827,877
Deferred inflows of resources-pension and OPEB	254,744	-	254,744
Net position -			
Invested in capital assets, net	1,120,411	-	1,120,411
Restricted for programs	889,033	-	889,033
Restricted for depreciation	59,579	-	59,579
Restricted for economic development	-	1,233,539	1,233,539
Unrestricted	(1,193,255)	176,359	(1,016,896)
Total net position	875,768	1,409,898	2,285,666
Total liabilities, deferred inflows, and net position	$ 4,948,890	$ 1,419,397	$ 6,368,287

The accompanying notes to financial statements
are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	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: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary government:							
Governmental activities:							
General administration	$ 193,676	$ -	$ 283,793	$ -	$ 90,117	$ -	$ 90,117
Grant programs	3,308,819	484,734	3,544,662	-	720,577	-	720,577
Interest expense	12,989	-	-	-	(12,989)	-	(12,989)
Total governmental activities	3,515,484	484,734	3,828,455	-	797,705	-	797,705
Business-type activities:							
Loan funds	14,774	35,890	-	-	-	21,116	21,116
Interest expense	150	-	-	-	-	(150)	(150)
Total business-type activities	14,924	35,890	-	-	-	20,966	20,966
Total primary government	$ 3,530,408	$ 520,624	$ 3,828,455	$ -	797,705	20,966	818,671
General revenues:							
Member dues					51,335	-	51,335
Interest income					840	270	1,110
Total general revenues and transfers					52,175	270	52,445
Change in net position					849,880	21,236	871,116
Net position, June 30, 2022					25,888	1,388,662	1,414,550
Net position, June 30, 2023					$ 875,768	$ 1,409,898	$ 2,285,666

The accompanying notes to financial statements
are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Special Revenue (Grant) Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 965,774	$ 107,979	$ 1,073,753
Cash and cash equivalents - restricted	-	59,579	59,579
Accounts receivable, net	304,824	1,328,830	1,633,654
Prepaid expenses	1,020	-	1,020
Interfund receivable	-	26,224	26,224
Total assets	$ 1,271,618	$ 1,522,612	$ 2,794,230
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ -	$ 329,663	$ 329,663
Payroll related liabilities	-	37,749	37,749
Other accrued liabilities	-	46,382	46,382
Unearned revenue	-	160,206	160,206
Interfund payable	-	-	-
Total liabilities	-	574,000	574,000
Fund Balances:			
Restricted for programs	-	889,033	889,033
Restricted for depreciation	-	59,579	59,579
Nonspendable	1,020	-	1,020
Assigned for senior center fundraising	18,175	-	18,175
Unassigned	1,252,423	-	1,252,423
Total fund balances	1,271,618	948,612	2,220,230
Total liabilities and fund balances	$ 1,271,618	$ 1,522,612	$ 2,794,230

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - Governmental Funds	$ 2,220,230
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of $1,981,114 net of accumulated depreciation of $690,698 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	1,290,416
Right to use leased assets of $205,530 net of accumulated amortization of $47,637 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	157,893
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	8,685
Accrued interest payable on long-term debt.	(261)
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	697,666
Deferred inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(254,744)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(61,509)
Net OPEB liabilities	(612,125)
Net pension liabilities	(2,242,585)
Lease payable	(162,577)
Long-term debt	(165,321)
Net position, end of year - Governmental Activities	$ 875,768

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue (Grant) Fund	Total Governmental Funds
REVENUES			
Federal grant	$ -	$ 2,060,971	$ 2,060,971
State grant	284,633	1,145,730	1,430,363
Local	139,896	663,067	802,963
Program income	51,335	19,732	71,067
Local funds applied	(1,016)	1,016	-
Total revenues	474,848	3,890,516	4,365,364
EXPENDITURES			
Salaries	36,277	886,992	923,269
Fringe benefits	24,612	530,634	555,246
Travel	869	13,815	14,684
Contracts	-	533,962	533,962
Equipment	-	520,370	520,370
Other	153,775	783,539	937,314
Shared costs	23,071	537,820	560,891
Total expenditures	238,604	3,807,132	4,045,736
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	236,244	83,384	319,628
Other financing sources (uses):			
Transfers in (out)	(7,958)	7,958	-
Total other financing sources and uses	(7,958)	7,958	-
NET CHANGE IN FUND BALANCES	228,286	91,342	319,628
BEGINNING FUND BALANCES	1,043,332	857,270	1,900,602
ENDING FUND BALANCES	$ 1,271,618	$ 948,612	$ 2,220,230

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - Governmental Funds		$ 319,628
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation expense in the current period.		
Capital outlay	542,693	
Depreciation expense	(81,772)	460,921
Right to use leased assets additions	-	
Amortization expense	(33,232)	(33,232)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions or OPEB, and investment experience.		
CERS expense - pension and OPEB		8,337
CERS contributions - pension and OPEB		(84,180)
Change in other long-term assets		(1,994)
Compensated absences		(8,458)
Change in accrued interest payable.		575
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds.		
Lease payments		30,215
Debt payments		158,068
Change in net position of Governmental Activities		$ 849,880

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities		
	EDA Revolving Loan Fund	NHPLP Revolving Loan Fund	Total Proprietary Funds
ASSETS			
Current assets -			
Cash and cash equivalents	$ 330,061	$ 12,000	$ 342,061
Notes receivable	95,611	1,506	97,117
Total current assets	425,672	13,506	439,178
Notes receivable, net of current portion	994,868	11,575	1,006,443
Total assets	$ 1,420,540	$ 25,081	$ 1,445,621
LIABILITIES AND NET POSITION			
Current liabilities -			
Interfund payable	$ 26,224	$ -	$ 26,224
Notes payable, current portion	-	1,633	1,633
Total current liabilities	26,224	1,633	27,857
Long-term liabilities -			
Notes payable, net of current portion	-	7,866	7,866
Total liabilities	26,224	9,499	35,723
Net position -			
Restricted for Economic Development	1,217,957	15,582	1,233,539
Unrestricted	176,359	-	176,359
Total net position	1,394,316	15,582	1,409,898
Total liabilities and net position	$ 1,420,540	$ 25,081	$ 1,445,621

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	EDA Revolving Loan Fund	NHPLP Revolving Loan Fund	Total Proprietary Funds
REVENUES			
Federal grant	$ -	$ -	$ -
Program income	35,552	338	35,890
Total revenues	35,552	338	35,890
EXPENSES			
Salaries	6,175	-	6,175
Fringe benefits	3,625	-	3,625
Travel	29	-	29
Other direct expenses	1,232	-	1,232
Shared costs	3,713	-	3,713
Total expenses	14,774	-	14,774
OPERATING INCOME (LOSS)	20,778	338	21,116
NONOPERATING REVENUES (EXPENSES)			
Interest income	261	9	270
Interest expense	-	(150)	(150)
Total nonoperating revenues (expenses)	261	(141)	120
CHANGE IN NET POSITION	21,039	197	21,236
BEGINNING NET POSITION	1,373,277	15,385	1,388,662
ENDING NET POSITION	$ 1,394,316	$ 15,582	$ 1,409,898

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	EDA Revolving Loan Fund	NHPLP Revolving Loan Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from:			
Grants	$ -	$ -	$ -
Other receipts	35,552	338	35,890
Cash paid to/for:			
Payments to suppliers and providers of goods and services	(46)	-	(46)
Payments to employees for services and benefits	-	-	-
Net cash provided by operating activities	35,506	338	35,844
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on notes receivable	95,610	1,506	97,116
Interest expense paid	-	(150)	(150)
Payments on long-term debt	-	(1,632)	(1,632)
Net cash provided by (used for) capital and related financing activities	95,610	(276)	95,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	261	9	270
Net cash provided by investing activities	261	9	270
NET INCREASE IN CASH	131,377	71	131,448
CASH AT BEGINNING OF YEAR	198,684	11,929	210,613
CASH AT END OF YEAR	$ 330,061	$ 12,000	$ 342,061
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	$ 20,778	$ 338	$ 21,116
Change in assets and liabilities:			
Interfund payable	14,728	-	14,728
Net cash provided by operating activities	$ 35,506	$ 338	$ 35,844

The accompanying notes to financial statements are an integral part of this statement.

GATEWAY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Federal	$ 1,416,158	$ 980,892	$ 2,397,050	$ 2,060,971	$ (336,079)
State	1,071,645	106,805	1,178,450	1,430,363	251,913
Local and program income	868,361	(98,818)	769,543	874,030	104,487
Total revenues	3,356,164	988,879	4,345,043	4,365,364	20,321
EXPENDITURES					
Salaries	841,528	98,697	940,225	923,269	16,956
Fringe benefits	553,916	72,900	626,816	555,246	71,570
Travel	21,411	725	22,136	14,684	7,452
Contracts	580,103	(84,251)	495,852	533,962	(38,110)
Equipment	42,102	425,176	467,278	520,370	(53,092)
Other	701,080	(5,212)	695,535	937,314	(241,779)
Shared costs	530,269	39,533	571,970	560,891	11,079
Total expenses	3,270,409	547,568	3,819,812	4,045,736	(225,924)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	85,755	441,311	525,231	319,628	(205,603)
Other financing sources (uses):					
Transfers in (out)	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
NET CHANGE IN FUND BALANCES	85,755	441,311	525,231	319,628	(205,603)
BEGINNING FUND BALANCES	1,900,602	-	1,900,602	1,900,602	-
ENDING FUND BALANCES	$ 1,986,357	$ 441,311	$ 2,425,833	$ 2,220,230	$ (205,603)

The accompanying notes to financial statements are an integral part of this statement.

(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 basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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,

including internally dedicated resources, are reported as general revenues, with certain limited exceptions. 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 - provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All of the District's funds are presented as major due to the District's belief that each fund presents financial information that is important to the financial statement users.

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

A description for each class of funds along with the associated restrictions, follows:

I. Governmental Fund Types

(a) 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.

(b) The Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. It includes federally financed programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

II. Proprietary Fund Types

(a) 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 determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

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 as revenue is earned using a percentage of completion method.

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.

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

Revolving Loan Notes Receivable

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

Compensated Absences

Employees start accruing leave on the first full pay period of the second calendar month following the date the employee obtains full-time regular status. 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, 2023 was $61,509.

Cash and Cash Equivalents

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

Account Classification

Revenue and expenditure information is maintained separately for each program funded by the special revenue fund, as required by various funding sources.

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars and a useful life expectancy of (3) three years or more (excluding technology-related items). 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

Right to Use Assets

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight line basis over the life of the related lease.

Budgets and Budgetary Accounting

Each year, the District adopts an annual budget that is approved by its Board of Directors prior to July 1st. Budget restrictions apply primarily at the grant level. The District utilizes the budget as an operational and management tool. Reports are presented to the board and management using budget comparisons.

The District files a cost allocation plan to the Department for Local Government (DLG) annually. The District also complies with DLG's schedule for posting its budgets via their website, including the initial budget at the start of the fiscal year and a final one that compares actual expenditures to the adopted budget.

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, deferred outflows of resources, 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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and right to use leased assets, net of accumulated amortization, reduced by the outstanding balances of any borrowings used for the leasing, 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.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as prepaid expenses) or are required to remain intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance - amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the District's policy to use committed and assigned resources first, then unassigned resources as they are 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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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 is on pages 26 and 46. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements ("GASB 96")*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the District's financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
    - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
    - 87, Leases,
    - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
    - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs were effective for the District beginning with its year ending June 30, 2022. Requirements related to other requirements related to derivative instruments will be effective for the District for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions required thru the year ending June 30, 2023, did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the District beginning with its year ending June 30, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 will be effective for the District beginning with its year ending June 30, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) COST ALLOCATION

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per

a written cost allocation plan. All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in 2 CFR Part 225, Uniform Guidance (formerly OMB Circular A-87 and A-133) as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint 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-102). 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 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 District-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 - The District 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 the District performs (c) is general administrative by nature or (d) relates to the District 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 the District 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 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 the District'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 - The District'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. The District'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 District Senior Centers will be charged directly to the respective Center's cost element.
12. Telephone/Internet - Telephone and internet charges for the District'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 District 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 the District'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 District Senior Centers will be charged directly to the respective Center's cost element.
15. Supplies/Material/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 District 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 the District'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, such as a required licensure, the cost is charged as a direct cost to their 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, the District'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. The District 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 District 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.

(3) ACCOUNTS RECEIVABLE

Federal, state, and local receivables are expected to be fully collectible. Federal, state, and local grants receivable as of June 30, 2023 consists of the following:

	2023
Aging	$ 389,015
PDS	694,321
JFA	136,362
Hazard Mitigation	43,064
5310 ARPA	7,214
KIA	24,986
Kentucky Roadway	5,750
Various local	332,942
	$1,633,654

(4) NOTES 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. During the year ending June 30, 2021, the District received an additional grant of $759,000 as part of the EDA CARES Act assistance with no local match requirement. At June 30, 2023, the District financial statements include revolving loans receivable of $1,090,479 and cash of $330,061.

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.

Total outstanding loans receivable as of June 30, 2023 were as follows:

	2023
Revolving loans - business	$ 477,867
Revolving loans – CARES Act	650,101
NHPLP	32,147
Total loans	1,160,115
Less: allowance for NHPLP	(19,066)
Less: allowance for RLP	(37,489)
Net loans	1,103,560
Less: current portion	(97,117)
Long-term portion of loans	$1,006,443

(5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

Governmental Activities	June 30, 2022	Additions	Deductions	June 30, 2023
Land, not being depreciated	$ 18,500	$ -	$ -	$ 18,500
Assets being depreciated:				
Buildings	1,194,831	-	-	1,194,831
Equipment	225,090	542,693	-	767,783
Totals at historical cost	1,438,421	542,693	-	1,981,114
Less: accumulated depreciation	(608,926)	(81,772)	-	(690,698)
Governmental Activities Capital Assets - Net	$ 829,495	$ 460,921	$ -	$ 1,290,416

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

Grant programs	$ 44,380
General administration	37,392
Total	$ 81,772

(6) RIGHT TO USE LEASED ASSETS

The District has recorded eight right to use leased assets. The assets are right to use assets for leased office space and equipment. The related leases are discussed in the Leases subsection of the Long-Term Obligations found in note (7). The right to use leased assets are amortized on a straight-basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2023, was as follows:

	June 30, 2022	Additions	Deductions	June 30, 2023
Intangible right to use asset	$ 205,530	$ -	$ -	$ 205,530
Totals at historical cost	205,530			205,530
Less: accumulated amortization	(14,405)	(33,232)	-	(47,637)
Right to Use Leased Assets - Net	$ 191,125	$ (33,232)	$ -	$ 157,893

(7) LONG-TERM OBLIGATIONS

A. Notes Payable

A summary of activity in notes payable is as follows:

Description	Balance at June 30, 2022	Issued	Payments	Balance at June 30, 2023	Due Within One Year
Business-type activities:					
Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2029	$ 11,131	$ -	$ 1,632	$ 9,499	$ 1,633
Governmental activities:					
USDA Rural Development, secured by office building, 2 loans of $550,000, interest at a rate of 4.125%, due June, 2047	321,757	-	156,436	165,321	165,321
	$ 332,888	$ -	$158,068	$ 174,820	$ 166,954

The notes payable are secured by all assets and pledged revenues of the District. The District intends to payoff the USDA loan in 2024; therefore, the balance of the note payable has been included as current. Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2023:

Year	Principal	Interest	Total
2024	$ 166,953	$ 5,245	$ 172,198

2025	1,633	236	1,869
2026	1,633	187	1,820
2027	1,633	138	1,771
2028	1,633	89	1,722
2029	1,335	40	1,375
	$ 174,820	$ 5,935	$ 180,755

B. Leases

The District has entered into agreements to lease certain office space and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

1. A lease agreement was renewed on May 13, 2021, to lease imaging equipment and requires 36 monthly payments of $220 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. This lease expired during the current year.
2. A lease agreement was executed on March 1, 2022, to lease a Xerox B405 and requires 36 monthly payments of $81 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
3. A lease agreement was executed on March 1, 2022, to lease a copier and requires 63 monthly payments of $567 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
4. A lease agreement was executed on March 10, 2022, to lease space necessary to operate the Montgomery County Senior Center and requires 72 monthly payments of $500 per month. There are no variable payment components of the lease. The lease has four renewal options of one year each. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
5. A lease agreement was executed on March 10, 2022, to lease space necessary to operate the Rowan County Senior Center and requires 72 monthly payments of $300 per month for first year and a 10% increase annually including annual renewals. The lease has four renewal options of one year each. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
6. A lease agreement was executed on March 10, 2022, to lease space necessary to operate the Morgan County Senior Center and requires 72 monthly payments of $130 per month. There are no variable payment components of the lease. The lease has four renewal options of one year each. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
7. A lease agreement was executed on December 10, 2021, to lease space necessary to operate the Menifee County Senior Center and requires 120 monthly payments of $600 per month. There are no variable payment components of the lease. The lease has eight renewal options of one year each. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
8. A lease agreement was executed on March 10, 2022, to lease space necessary to operate the Bath County Senior Center and requires 72 monthly payments of $650 per month. There are no variable payment components of the lease. The lease has four renewal options of one year each. The lease liability is measured at a discount rate of 4.125%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year	Principal	Interest	Requirements
2024	$ 30,215	$ 6,115	$ 36,330
2025	30,877	4,852	35,729

2026	30,378	3,616	33,994
2027	31,225	2,339	33,564
2028	13,096	1,345	14,441
2029-2032	26,786	2,342	29,128
	$ 162,577	$ 20,609	$ 183,186

A summary of long-term debt and other long-term liabilities is as follows:

Description	Balance at June 30, 2022	Additions	Payments	Balance at June 30, 2023
Notes Payable	$ 332,888	$ -	$ 158,068	$ 174,820
Lease Payable	192,792	-	30,215	162,577
Net OPEB Liability	597,002	15,123	-	612,125
Compensated absences	53,051	8,458	-	61,509
Net pension liability	1,988,671	253,914	-	2,242,585
	$ 3,164,404	$ 277,495	$ 188,283	$ 3,253,616

Net Pension Liability

The net pension liability is $2,242,585 and $-0- for governmental activities and business-type activities, respectively, on June 30, 2023. See Note 10 for more detailed information.

Net OPEB Liability

The net OPEB liability is $612,125 and $-0- for governmental activities and business-type activities, respectively, on June 30, 2023. See Note 11 for more detailed information.

(8) 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 of $59,400 in the reserve account. The balance at June 30, 2023 was $59,579.

(9) CONCENTRATIONS

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

(10) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) of the member's salary. During the year ending June 30, 2023, the District contributed $253,263 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30 2022, the District's proportion was 0.031022%.

For the year ended June 30, 2023, the District recognized pension expense of approximately $286,782. At June 30, 2023, 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 experience	$ 2,398	$ 19,971
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	57,492	-
Changes in proportion and differences between District contributions and proportionate share of contributions	88,101	3,195
District contributions subsequent to the measurement date	253,263	-
	$ 401,254	$ 23,166

The $253,263 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	
2024	$ 76,055
2025	3,907
2026	(18,845)
2027	63,708
	$ 124,825

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal

Amortization Method	Level percentage of pay
Remaining Amortization Period	29 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disable retired members, 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 is utilized. For disabled members, the mortality table used is the 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 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 below tables.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were

calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 2,802,952	$ 2,242,585	$ 1,779,114

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At June 30, 2023, there was a total payable to CERS of $34,173, which includes pension and OPEB contributions.

(11) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided - CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2023, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2023, the District contributed $49,723 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB

liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30 2022, the District's proportion was 0.031017%.

For the year ended June 30, 2023, the District recognized OPEB expense of approximately $111,195, including an implicit subsidy of $19,800. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 61,615	$ 140,374
Changes of assumptions	96,812	79,772
Net difference between projected and actual earnings on investments	24,845	-
Changes in proportion and differences between District contributions and proportionate share of contributions	63,417	11,432
District contributions subsequent to the measurement date	49,723	-
	$ 296,412	$ 231,578

Of the total amount reported as deferred outflows of resources related to OPEB, $49,723 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

Year	
2024	$ 17,181
2025	18,594
2026	(22,609)
2027	1,945
	$ 15,111

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	29 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024 and

	gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB- 2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013- 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 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 single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

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 below tables.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%

Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	1% Decrease (4.70%)	Current discount rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the net OPEB liability	$ 818,313	$ 612,125	$ 414,676

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	$ 455,101	$ 612,125	$ 800,680

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the OPEB plan: At June 30, 2023, there was a total payable to CERS of $34,173 which includes pension and OPEB contributions.

(12) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was $1,475,393. The bank balance totaled $1,636,270, of which $500,000 was covered by Federal depository insurance, with the remainder covered by collateral.

(13) CONTINGENCIES

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the

grantor's review the funds 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.

(14) 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.

(15) 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.

(16) 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).

(17) UNEARNED REVENUE

The June 30, 2023 unearned revenue or unearned grant revenue includes revenues received, but not earned, as follows:

	2023
JFA	$ 34,266
Aging Congregate Meal program income	663
Medicaid	125,277
Total unearned revenue	$ 160,206

(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, 2023, the District earned $465,002 from the PDS program for administration and the District was owed $694,321 by the PDS program.

REQUIRED SUPPLEMENTARY INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Pension:									
District's proportion of the net pension liability	0.031%	0.031%	0.028%	0.028%	0.024%	0.025%	0.023%	0.026%	0.024%
District's proportionate share of the net pension liability	$ 2,242,585	$ 1,988,671	$ 2,122,036	$ 1,951,037	$ 1,442,976	$ 1,473,219	$ 1,142,524	$ 1,133,285	$ 771,000
District's covered-employee payroll	$ 860,250	$ 807,633	$ 747,917	$ 700,070	$ 582,071	$ 618,456	$ 553,557	$ 614,979	$ 545,029
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.690%	246.234%	283.726%	278.692%	247.904%	238.209%	206.397%	184.280%	141.460%
Plan fiduciary net position as a percentage of the total pension liability	52.420%	57.330%	47.810%	50.450%	53.540%	53.320%	55.500%	59.970%	66.800%
OPEB:									
District's proportion of the OPEB liability	0.031%	0.031%	0.028%	0.028%	0.024%	0.025%			
District's proportionate share of the OPEB liability	$ 612,125	$ 597,002	$ 668,243	$ 466,692	$ 420,771	$ 505,983			
District's covered-employee payroll	$ 860,250	$ 807,633	$ 747,917	$ 700,070	$ 582,071	$ 618,456			
District's proportionate share of the OPEB liability as a percentage of its covered-employee payroll	71.157%	73.920%	89.347%	66.664%	72.289%	81.814%			
Plan fiduciary net position as a percentage of the total OPEB liability	60.950%	61.910%	51.670%	60.440%	57.620%	52.390%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GATEWAY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Pension:										
Contractually required contribution	$ 253,263	$ 182,115	$ 155,873	$ 139,169	$ 113,529	$ 81,535	$ 86,300	$ 68,750	$ 78,414	$ 74,871
Contributions in relation to the contractually required contribution	253,263	182,115	155,873	139,169	113,529	81,535	86,300	68,750	78,414	74,871
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 1,196,330	$ 860,250	$ 807,633	$ 747,917	$ 700,070	$ 582,071	$ 618,456	$ 553,557	$ 614,979	$ 545,029
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.40%	21.17%	19.30%	18.61%	16.22%	14.01%	13.95%	12.42%	12.75%	13.74%
OPEB:										
Contractually required contribution	$ 49,723	$ 49,723	$ 38,443	$ 34,323	$ 36,817	$ 30,461	$ 29,262	$ 25,684	$ 30,259	$ 28,085
Contributions in relation to the contractually required contribution	49,723	49,723	38,443	34,323	36,817	30,461	29,262	25,684	30,259	28,085
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 1,196,330	$ 860,250	$ 807,633	$ 747,917	$ 700,070	$ 582,071	$ 618,456	$ 553,557	$ 614,979	$ 545,029
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	3.39%	5.78%	4.76%	4.59%	5.26%	5.23%	4.73%	4.64%	4.92%	5.15%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is 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 more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 2022.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018
Mortality	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.

(3) CHANGES OF BENEFITS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2022 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

(1) CHANGES OF ASSUMPTIONS

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2022:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay

Remaining Amortization Period	30 years, closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% on January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	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.

(3) CHANGES OF BENEFITS

CERS Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2022 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

SUPPLEMENTAL INFORMATION

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULES OF SHARED COSTS

JUNE 30, 2023 AND 2022

	2023	2022
SHARED COSTS:		
Salaries	$ 186,421	$ 170,909
Fringe benefits	112,595	110,116
Travel	10,767	4,994
Legal and accounting	19,206	19,925
Equipment, leases, depreciation and amortization	61,212	51,911
Office expense	18,626	9,152
Postage	597	6,286
Telephone and utilities	29,805	21,542
Committee meetings	2,445	1,740
Dues, fees and subscriptions	17,740	18,738
Insurance	26,916	32,879
Interest	12,989	22,108
Repairs and maintenance	60,097	35,279
Training	600	-
Other	4,588	4,934
Total	$ 564,604	$ 510,513
ALLOCATION OF SHARED COSTS:		
Joint Funding Administration	$ 95,702	$ 74,437
Aging programs	291,981	196,966
Participant Directed Services Program	86,851	108,243
Traditional Case Management	16,311	17,824
KYTC Roadway Centerline	2,321	508
KY Infrastructure Authority	12,750	14,345
CARES EDA	8,036	38,519
Transportation planning	15,243	12,697
Operation Gateway	-	9,595
Hazard Mitigation	8,360	-
Building Resilience	265	-
Revolving loan program	3,713	13,401
Performance contracts	23,071	23,978
	$ 564,604	$ 510,513

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF REVENUES AND EXPENSES
JOINT FUNDING ADMINISTRATION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2023

	Community Development Block Grant	ARC Planning and Assistance	Economic Development Administration	Technical Assistance	JFA Administration	Totals
REVENUES						
Federal grant	$ 16,722	$ 39,078	$ 66,667	$ -	$ -	$ 122,467
State grant	36,823	139,904	37,518	8,748	8,182	231,175
State unmatched	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-
In-kind	-	-	-	-	-	-
Total revenues	53,545	178,982	104,185	8,748	8,182	353,642
EXPENSES						
Direct expenses:						
Salaries	24,056	80,367	47,971	4,028	3,771	160,193
Fringe benefits	13,355	47,999	26,572	2,305	2,151	92,382
Travel	156	1,134	242	-	-	1,532
Equipment	-	-	-	-	-	-
Other	1,803	843	1,155	16	16	3,833
Total direct expenses	39,370	130,343	75,940	6,349	5,938	257,940
Shared costs	14,175	48,639	28,245	2,399	2,244	95,702
Total expenses	53,545	178,982	104,185	8,748	8,182	353,642
Intrafund transfers	-	-	-	-	-	-
	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING

FOR THE YEAR ENDED JUNE 30, 2023

	Aging Adminis-tration	Support Services B	Title III B Ombuds-man	Cong. Meals C-1	H.D. Meals C-2	Preventive Health D	Caregiver E	VII Ombudsman	VII Elder Abuse	Senior Centers	Regional Kitchen	Expanded Senior Meals Program	Sub-Totals
REVENUES													
Federal grant	$ -	$ 180,082	$ 3,700	$ 195,337	$ 121,902	$ 8,973	$ 76,826	$ 3,800	$ 1,192	$ -	$ -	$ 1,059,593	$ 1,651,405
State grant	-	62,157	11,100	31,888	131,897	-	14,230	2,052	-	-	-	-	253,324
Local	-	16,223	-	-	150,140	-	-	482	210	-	-	-	167,055
Program income	-	227	-	17,772	631	-	-	-	-	-	-	1,102	19,732
Local income applied	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	-	258,689	14,800	244,997	404,570	8,973	91,056	6,334	1,402	-	-	1,060,695	2,091,516
EXPENSES:													
Direct expenses:													
Salaries	38,190	11,770	-	-	-	3,566	10,581	-	-	227,131	115,250	-	406,488
Fringe benefits	27,400	8,147	-	-	-	2,310	7,524	-	-	119,963	67,814	-	233,158
Travel	583	527	-	-	-	-	389	-	-	302	-	-	1,801
Contracts	-	63,915	14,800	-	-	-	-	6,334	1,402	4,431	4,210	2,500	97,592
Equipment	-	34,440	-	53,923	20,000	-	-	-	-	-	-	368,689	477,052
Other	13,066	-	-	5,109	-	870	47,396	-	-	204,255	279,996	75,390	626,082
Total direct expenses	79,239	118,799	14,800	59,032	20,000	6,746	65,890	6,334	1,402	556,082	467,270	446,579	1,842,173
Shared costs	24,852	7,547	-	-	-	2,227	6,860	-	-	131,516	69,364	-	242,366
Total expenses	104,091	126,346	14,800	59,032	20,000	8,973	72,750	6,334	1,402	687,598	536,634	446,579	2,084,539
Intrafund transfers in (out)	104,091	(132,343)	-	(185,965)	(384,570)	-	(18,306)	-	-	687,598	536,634	(614,116)	(6,977)
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2023

	Homecare Administration	Homecare	Personal Care Program	NSIP	Medicaid ADRC	SHIP	LTC Ombudsman	MIPPA	ADRC No Wrong Door	Non-Medicaid ADRC	Total HC & Other	Area Agency on Aging Totals
REVENUES												
Federal grant	$ -	$ -	$ -	$ 39,308	$ 11,625	$28,000	$ -	$ 30,204	$ 12,379	$ -	$ 121,516	$ 1,772,921
State grant	32,760	332,512	124,574	-	11,625	-	28,451	-	-	-	529,922	783,246
Local	-	31,010	-	-	-	-	-	-	-	-	31,010	198,065
Program income	-	-	-	-	-	-	-	-	-	-	-	19,732
Local income applied	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	32,760	363,522	124,574	39,308	23,250	28,000	28,451	30,204	12,379	-	682,448	2,773,964
EXPENSES												
Direct expenses:												
Salaries	14,559	28,766	-	-	8,145	-	-	-	1,460	23,023	75,953	482,441
Fringe benefits	10,187	19,527	-	-	6,232	-	-	-	1,113	17,176	54,235	287,393
Travel	-	1,640	-	-	-	-	-	-	-	25	1,665	3,466
Contracts	-	206,731	112,117	-	-	26,600	27,058	30,204	-	-	402,710	500,302
Equipment	-	-	-	-	-	-	-	-	-	-	-	477,052
Other	-	56,673	-	39,308	-	-	1,393	-	8,545	1,446	107,365	733,447
Total direct expenses	24,746	313,337	112,117	39,308	14,377	26,600	28,451	30,204	11,118	41,670	641,928	2,484,101
Shared costs	9,377	18,298	-	-	5,447	-	-	-	1,261	15,232	49,615	291,981
Total expenses	34,123	331,635	112,117	39,308	19,824	26,600	28,451	30,204	12,379	56,902	691,543	2,776,082
Intrafund transfers in (out)	1,363	(31,887)	(12,457)	-	(3,426)	(1,400)	-	-	-	56,902	9,095	2,118
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, 2023

	Participant Directed Services	Traditional Case Management	PDS Totals
REVENUES			
Service fees	$ 427,260	$ 37,742	$ 465,002
Total revenues	427,260	37,742	465,002
EXPENSES			
Direct expenses:			
Salaries	141,877	26,301	168,178
Fringe benefits	87,338	16,745	104,083
Travel	3,745	906	4,651
Contracts	-	-	-
Equipment	-	-	-
Other	12,722	1,550	14,272
Total direct expenses	245,682	45,502	291,184
Shared costs	86,851	16,311	103,162
Total expenses	332,533	61,813	394,346
Intrafund transfers in (out)	(2,118)	-	(2,118)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	$ 92,609	$ (24,071)	$ 68,538

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF OTHER GRANTS

FOR THE YEAR ENDED JUNE 30, 2023

	KYTC 5310 ARPA	KIA	CARES EDA	Public Transportation Vehicles	Transportation Planning	Hazard Mitigation	Building Resilience	Roadway Centerline	Totals
REVENUES									
Federal grant	$ 21,075	$ -	$ 59,342	$ 42,102	$ -	$ 43,064	$ -	$ -	$ 165,583
State grant	-	49,986	-	-	71,619	-	964	8,740	131,309
Local	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Local funds applied	-	929	-	-	-	-	75	12	1,016
Total revenues	21,075	50,915	59,342	42,102	71,619	43,064	1,039	8,752	297,908
EXPENSES									
Direct expenses:									
Salaries	-	20,271	13,044	-	24,482	14,574	302	3,507	76,180
Fringe benefits	-	13,379	7,219	-	15,746	7,488	397	2,547	46,776
Travel	-	1,140	2,131	-	694	52	75	74	4,166
Contracts	-	-	21,660	-	-	12,000	-	-	33,660
Equipment	-	-	1,216	42,102	-	-	-	-	43,318
Other	21,075	3,375	6,036	-	608	590	-	303	31,987
Total direct expenses	21,075	38,165	51,306	42,102	41,530	34,704	774	6,431	236,087
Shared costs	-	12,750	8,036	-	15,243	8,360	265	2,321	46,975
Total expenses	21,075	50,915	59,342	42,102	56,773	43,064	1,039	8,752	283,062
Intrafund transfers	-	-	-	-	7,958	-	-	-	7,958
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ 22,804	$ -	$ -	$ -	$ 22,804

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

FOR THE YEAR ENDED JUNE 30, 2023

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	PDS Totals	Total Grant Funds	RLF and NHPLP	Performance Contracts	Admin-istrative Expense	Local Operations	Totals
REVENUES										
Federal grant	$122,467	$1,772,921	$ 165,583	$ -	$ 2,060,971	$ -	$ -	$ -	$ -	$ 2,060,971
State grant	231,175	783,246	131,309	-	1,145,730	-	284,633	-	-	1,430,363
Local	-	198,065	-	465,002	663,067	270	500	-	139,396	803,233
Program income	-	19,732	-	-	19,732	35,890	-	-	51,335	106,957
Local funds applied	-	-	1,016	-	1,016	-	-	-	(1,016)	-
Total revenues	353,642	2,773,964	297,908	465,002	3,890,516	36,160	285,133	-	189,715	4,401,524
EXPENSES										
Direct expenses:										
Salaries	160,193	482,441	76,180	168,178	886,992	6,175	36,277	186,421	-	1,115,865
Fringe benefits	92,382	287,393	46,776	104,083	530,634	3,625	24,612	112,595	-	671,466
Travel	1,532	3,466	4,166	4,651	13,815	29	869	10,767	-	25,480
Contracts	-	500,302	33,660	-	533,962	-	-	-	-	533,962
Equipment	-	477,052	43,318	-	520,370	-	-	-	-	520,370
Other	3,833	733,447	31,987	14,272	783,539	1,382	840	210,441	26,801	1,023,003
Depreciation	-	-	-	-	-	-	-	44,380	-	44,380
Lease adjustment	-	-	-	-	-	-	-	-	3,017	3,017
Pension and OPEB adjustment	-	-	-	-	-	-	-	-	75,843	75,843
Total direct expenses	257,940	2,484,101	236,087	291,184	3,269,312	11,211	62,598	564,604	105,661	4,013,386
Indirect Expenditures	95,702	291,981	46,975	103,162	537,820	3,713	23,071	(564,604)	-	-
Total expenses	353,642	2,776,082	283,062	394,346	3,807,132	14,924	85,669	-	105,661	4,013,386
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	-	(2,118)	14,846	70,656	83,384	21,236	199,464	-	84,054	388,138
TRANSFER TO (FROM)	-	2,118	7,958	(2,118)	7,958	-	-	-	(7,958)	-
NET CHANGE IN FUND BALANCE	$ -	$ -	$ 22,804	$ 68,538	$ 91,342	$ 21,236	$ 199,464	$ -	$ 76,096	$ 388,138

Reconciliation to Governmental Funds:

Total expenditures per above	$ 4,013,386
Business-type expenses	(14,924)
Capital outlay	22,323
Depreciation expense	(44,380)
Debt payments	158,068
Net lease adjustment	(3,017)
Compensated absences	(8,458)
Other long-term assets	(1,994)
Accrued interest payable	575
Net pension and OPEB adjustment	(75,843)
Total expenditures per Governmental Funds	$ 4,045,736

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures	
Economic Development Administration					
Title IX Revolving Loan Program	11.307	N/A	$ -	$ 555,917	
CARES Act - Title IX RLP Economic Recovery	11.307	N/A	-	731,580	
Passed Through the State					
Department of Local Government -					
CARES Act - Economic Recovery-JFA	11.307	PON2 112 2100000397	-	59,342	
Total Economic Development Administration Cluster			-	1,346,839	
JFA - Community and Economic Assistance	11.302	PON2 112 2200004721	-	66,667	
Total Economic Development Administration			-	1,413,506	
U.S. Department of Health and Human Services					
Passed Through the Kentucky Cabinet					
for Health and Family Services -					
Title III-B - Supportive Services	93.044	PON3 725 2200000036	36,565	161,815	
Title III-B - Ombudsman	93.044	PON3 725 2200000036	3,700	3,700	
Title III-C1 - Congregate Meals Nutrition Program	93.045	PON3 725 2200000036	-	146,958	
Title III-C2 - Home Delivered Meals Nutrition Program	93.045	PON3 725 2200000036	-	121,902	
Nutrition Services Incentive Program	93.053	PON3 725 2200000038	-	39,308	
Total Aging Cluster			40,265	473,683	
Title III-E - Family Caregiver	93.052	PON3 725 2200000036	-	76,826	
Title III-D - Aging Program Preventive Health	93.043	PON3 725 2200000036	-	8,973	
Title VII - Elder Abuse Prevention	93.041	PON3 725 2200000019	1,192	1,192	
Title VII - Ombudsman	93.042	PON3 725 2200000019	681	681	
State Health Insurance Program	93.324	PON3 725 2200000040	26,600	28,000	
Medicare Improvements for Patients & Provider's Act	93.071	PON3 725 2200000037	30,204	30,204	
Aging and Disability Resource Center (ADRC)	93.778	PON3 725 2200000065	-	11,625	
ADRC - No Wrong Door	93.048	PON3 725 2200000065	-	12,379	
Total Department of Health and Human Services			98,942	643,563	
U.S. Department of the Treasury					
Passed Through the Kentucky Cabinet					
for Health and Family Services -					
Coronavirus State and Local Fiscal Recovery - Congregate Meals	21.027	PON3 725 2200000036	-	48,379	*
Coronavirus State and Local Fiscal Recovery - Title VII - Ombudsman	21.027	PON3 725 2200000019	3,119	3,119	*
Coronavirus State and Local Fiscal Recovery - Title IIB - Supportive	21.027	PON3 725 2200000036	-	18,267	*
Coronavirus State and Local Fiscal Recovery - ESMP	21.027	PON3 725 2200000036	-	1,059,593	*
Total Department of Treasury			3,119	1,129,358	*

The accompanying notes are an integral part of this schedule.

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures
Appalachian Regional Commission				
ARC Administration Grant	23.009	KY-0702-D-C53-22	$ -	$ 37,107
ARC Administration Grant	23.009	KY-0702-D-C54-23	-	1,971
Total Appalachian Regional Commission			-	39,078
U.S. Department of Transportation				
Passed Through the Kentucky Transportation Cabinet - Division of Planning -				
COVID-19 - KYTC Public Transportation Vehicles	20.513	KY-2021-017-00	-	42,102
COVID-19 - Transportation Enhanced Mobility - 5310	20.513	KY-2021-017-00	-	21,075
Total U.S. Department of Transportation			-	63,177
U. S. Department of Homeland Securtity				
Passed Through the Menifee County Fiscal Court -				
Hazard Mitigation	97.039	Menifee County	-	43,064
Total U.S. Department of Homeland Security			-	43,064
U. S. Department of Housing & Urban Development				
Passed Through the State Department of Local Government -				
Community Development Block Grant	14.228	PON2 112 2200004721	-	16,722
Total Department of Housing & Urban Development			-	16,722
Total Expenditures of Federal Awards			$ 102,061	$ 3,348,468

* Denotes major program.

The accompanying notes are an integral part of this schedule.

GATEWAY AREA DEVELOPMENT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Gateway Area Development District (the District) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(3) INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) LOANS

As of June 30, 2023, the District had loans outstanding in the amount of $477,867 under the Title IX-RLP loan program. The revolving loan federal expenditures is calculated by taking the current year loan balance of $477,867, plus the cash balance of $254,926, plus the current year administrative expenditures of $8,430, plus $0 in loans written off in the current year, and then multiplying this total by the Federal share of 75% which equals $555,917. In addition, as of June 30, 2023, the District had loans outstanding in the amount of $650,101 under the CARES Act Title IX-RLP Economic Recovery loan program. The revolving loan federal expenditures is calculated by taking the current year loan balance of $650,101, plus the cash balance of $75,135, plus the current year administrative expenditures of $6,344, plus $0 in loans written off in the current year, and then multiplying this total by the Federal share of 100% which equals $731,580 under the CARES Act Title IX-RLP Economic Recovery loan program.

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

To the Board of Directors
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 the governmental activities, the business-type activities, and each major fund of Gateway Area Development District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Gateway Area Development District's basic financial statements, and have issued our report thereon dated October 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

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

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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 24, 2023

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

To the Board of Directors
Gateway Area Development District
Morehead, Kentucky

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Gateway Area Development District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 24, 2023

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements-

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

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes __X__ No
- Significant deficiency(ies) identified? _____Yes __X__None reported

Noncompliance material to the financial statements noted? _____Yes __X__ No

Federal Awards-

Internal control over major federal programs:

- Material weakness(es) identified? _____Yes __X__ No
- Significant deficiency(ies) identified? _____ Yes __X__ None reported

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

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

Identification of Major Programs:

	AL No.
Coronavirus State and Local Fiscal Recovery	21.027

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

Auditee qualified as low risk auditee? __X__ Yes ____ No

GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2023

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in the current year.

GATEWAY AREA DEVELOPMENT DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2023

There were no findings in the prior year.