



Report Of The Area Development District Working Group

Research Memorandum No. 526

Kentucky Legislative Research Commission

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Report Of The Area Development District Working Group

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Senator Brandon Smith
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Legislative Research Commission

Frankfort, Kentucky
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Foreword

The Legislative Research Commission created the Area Development District Working Group during the 2019 Interim to conduct an analysis of data to be collected from the state's area development districts and the Department for Local Government. The information would be analyzed by a group Legislative Research Commission nonpartisan staff and members of the General Assembly. The working group was to present its final report in November 2019. This report represents the final action of the working group.

The working group Co-Chairs wish to thank the members of the working group and all those who assisted in the effort to learn more about this topic.

Jay D. Hartz
Director

Legislative Research Commission
Frankfort, Kentucky
November 2019

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Summary

The Legislative Research Commission established the Area Development District Working Group by memorandum on May 28, 2019. The purpose of the working group was to analyze data related to area development districts, including applicable laws, funding, level of long-term debt, spending trends, and growth and reductions in staffing patterns. The six-member working group held six public meetings beginning on June 18, 2019. Nonpartisan staff collected and analyzed information from various sources to address the questions posed by members of the working group. Additionally, members heard testimony from various stakeholders, including representatives from area development districts, the Community Action Agency of Kentucky, the Cabinet for Health and Family Services, the Education and Workforce Development Cabinet, and the Department for Local Government.

At its meeting on November 15, 2019, the working group adopted this report detailing the findings developed from information presented to the members. The findings are consolidated into the topics related to

- the number of and boundaries for the area development districts,
- tenure of board members,
- financial reports and consistent reporting methodology,
- management or performance audits, and
- Joint Funding Administration distributions.

Chapter 1

Formation Of The Area Development District Working Group

The Area Development District Working Group was formed by a memorandum signed by the President of the Senate and the Speaker of the House and dated May 28, 2019. The purpose of the working group is to analyze data related to area development districts (ADDs), including applicable laws, funding, level of long-term debt, spending trends, and growth and reductions in staffing patterns. Information is to be collected and analyzed by nonpartisan staff and members of the General Assembly. The issues or records to be analyzed include, but are not limited to

- state statutes and administrative regulations, as well as federal regulations, outlining or setting forth the relational roles that exist between the Department for Local Government, in its role as the cognizant state agency for ADDs, and the districts themselves;
- the amount of funds transferred or granted to each ADD on an annual and historical basis for a period of 5 years, and the processes by which those funds are expended or transferred to units of local government and the measurable benefits or deliverables for said funds;
- the state or federal funds held in reserve by each ADD as well as statutory or regulatory processes by which those funds can be expended;
- the level of long-term debt incurred by each ADD;
- historic spending trends of funds granted through the Joint Funding plan; and
- growth/reductions in staffing patterns in the execution of the planning functions versus the direct service provider roles as managed by the ADDs.

Members of the working group were appointed in a memorandum signed by the President of the Senate and the Speaker of the House, dated June 10, 2019.

Table 1.1
Members Appointed To The Working Group

Working Group Members
Senator Chris McDaniel, co-chair
Representative Suzanne Miles, co-chair
Senator Dennis Parrett
Senator Brandon Smith
Representative Jim DuPlessis
Representative Susan Westrom

The working group was directed to present its findings to the Legislative Research Commission no later than November 29, 2019, for referral to the appropriate committee for further action.

Chapter 2

Statutory Provisions And Related Administrative Regulations

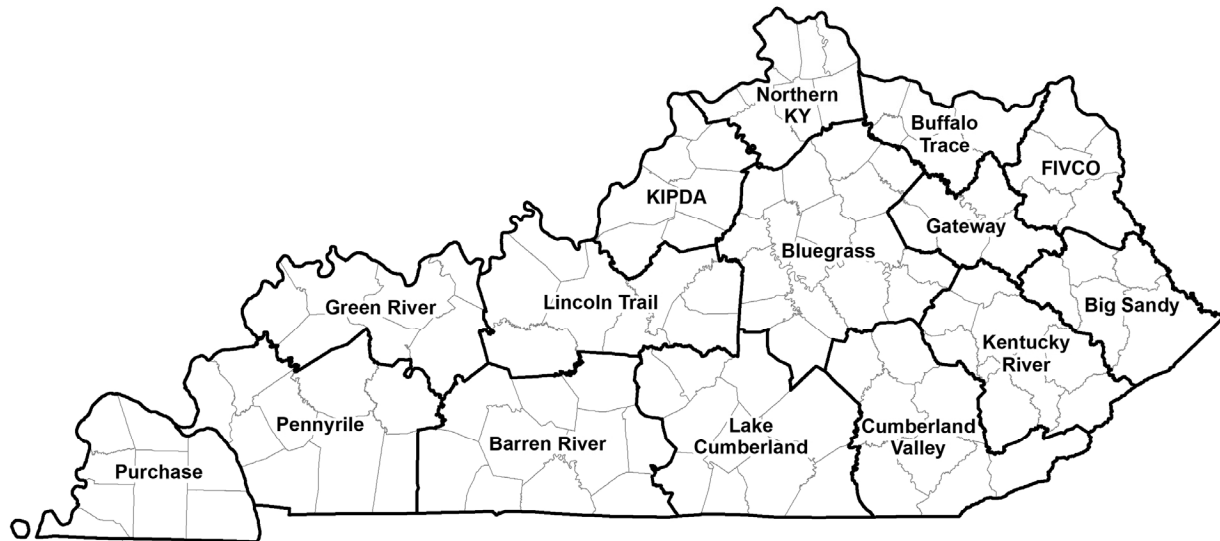
KRS 147A.050 creates and establishes the boundaries for the 15 area development districts:

- **Barren River Area Development District:** Allen, Barren, Butler, Edmonson, Hart, Logan, Metcalfe, Monroe, Simpson, and Warren Counties
- **Big Sandy Area Development District:** Floyd, Johnson, Magoffin, Martin, and Pike Counties
- **Bluegrass Area Development District:** Anderson, Bourbon, Boyle, Clark, Estill, Fayette, Franklin, Garrard, Harrison, Jessamine, Lincoln, Madison, Mercer, Nicholas, Powell, Scott, and Woodford Counties
- **Buffalo Trace Area Development District:** Bracken, Fleming, Lewis, Mason, and Robertson Counties
- **Cumberland Valley Area Development District:** Bell, Clay, Harlan, Jackson, Knox, Laurel, Rockcastle, and Whitley Counties
- **FIVCO Area Development District:** Boyd, Carter, Elliott, Greenup, and Lawrence Counties
- **Gateway Area Development District:** Bath, Menifee, Montgomery, Morgan, and Rowan Counties
- **Green River Area Development District:** Daviess, Hancock, Henderson, McLean, Ohio, Union, and Webster Counties
- **Kentucky River Area Development District:** Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, and Wolfe Counties
- **Jefferson Area Development District:** Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, and Trimble Counties^a
- **Lake Cumberland Area Development District:** Adair, Casey, Clinton, Cumberland, Green, McCreary, Pulaski, Russell, Taylor, and Wayne Counties
- **Lincoln Trail Area Development District:** Breckinridge, Grayson, Hardin, LaRue, Marion, Meade, Nelson, and Washington Counties
- **Northern Kentucky Area Development District:** Boone, Campbell, Carroll, Gallatin, Grant, Kenton, Owen, and Pendleton Counties
- **Pennyrile Area Development District:** Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd, and Trigg Counties
- **Purchase Area Development District:** Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, Marshall, and McCracken Counties

Figure 2.A indicates the boundaries of the area development districts.

^a The Jefferson Area Development District and the Falls of the Ohio Metropolitan Council of Governments merged into the Kentuckiana Regional Planning and Development Agency (KIPDA) on July 11, 1973 with final legal approval granted on November 1, 1973. KIPDA includes the seven counties of the Jefferson Area Development District as well as Clark County and Floyd County in Indiana.

Figure 2.A
Area Development District Boundaries



Staff researched archived documents to determine whether any indication could be found regarding reasons or justification for the number of area development districts and the boundaries established. No concrete reasoning was found. Staff presented the following demographics comparing data from a time near the creation of the ADDs to more recent data.

Table 2.1
Demographics Of The Area Development Districts, Then And Now

District	# Of Counties	Population			Area (Sq. Miles)	Per Capita Personal Income		
		1970	2018	% Change		1975	In 2017 Dollars	2017
Barren River	10	186,279	306,780	+64.7%	3,926	\$4,070	\$18,970	\$35,090
Big Sandy	5	134,307	140,318	+4.5	1,983	4,648	21,664	33,565
Bluegrass	17	458,333	829,205	+80.9	4,288	5,115	23,841	41,530
Buffalo Trace	5	50,384	55,213	+9.6	1,379	3,966	18,485	34,102
Cumberland Valley	8	184,502	231,490	+25.5	3,229	3,785	17,642	30,551
FIVCO	5	122,077	132,591	+8.6	1,569	4,523	22,480	34,284
Gateway	5	55,678	84,965	+52.6	1,344	3,635	16,943	30,568
Green River	7	179,613	216,408	+20.5	2,619	5,135	23,934	37,661
Kentucky River	8	107,245	104,668	-2.4	2,561	3,698	17,236	32,173
KIPDA	7	776,578	1,009,989	+30.1	1,892	5,943	27,700	48,228
Lake Cumberland	10	141,071	208,886	+48.1	3,694	3,298	15,372	32,021
Lincoln Trail	8	190,042	277,426	+46.0	3,329	4,302	20,052	38,932
Northern Kentucky	8	291,031	460,835	+58.3	1,684	5,261	24,522	47,606
Pennyrile	9	176,201	213,348	+21.1	3,778	4,933	22,993	36,348
Purchase	8	167,370	196,280	+17.3	2,399	4,633	21,594	40,728
Total	120	3,220,711	4,468,402	+38.7%	39,674	\$66,945	\$313,428	\$553,387
Average	8	214,714	297,893		2,645	\$4,463	\$20,895	\$36,892

Since 1970, the population of the commonwealth has increased by 38.7 percent. Of the 15 area development districts, 6 have grown more rapidly than 38.7 percent, 8 have grown less rapidly, and 1 has decreased in population.

KRS 147A.060 requires each area development district to have a board of directors. The composition of the board and the terms and appointments of its members in each district are required to be specified by administrative regulation promulgated by the Department for Local Government. That administrative regulation is 109 KAR 5:010.

The board of directors of each area development district must consist of the categories and memberships detailed in the administrative regulation, with a majority of the board of each ADD composed of elected officials.

Board Membership. The composition of the board of directors of each area development district must consist of members selected according to the following criteria.^b

- The county judge/executive of each county located within the ADD
- A mayor of at least one incorporated city in each county located within the ADD, including
 - the mayor of each city of the first, second, or third class located in the ADD;
 - if any county within the ADD has an incorporated city below the third class, the mayor of that city; and
 - if more than one incorporated city below the third class is located within a county of the ADD, the board of directors shall establish a procedure by which the mayors will be selected;
- The county judge/executives and the mayors select citizen members, considering the following selection criteria:
 - A citizen member must reside within the ADD and have demonstrated an interest in regional development or public service;
 - The distribution must be fair among the counties of the ADD; and
 - Provisions must be made for reasonable representation of the larger minority groups, females, low-income citizens, and the principal economic interests of the district when considering both the elected officials and citizen members of the board.

The board of directors may establish provisions for additional elected officials to serve on the board. At least one resident member of the House of Representatives or one resident member of the Senate must be offered a board membership under the conditions established by the board of directors. A person who is a state officer, a deputy state officer, or a member of the General Assembly may serve only in a nonmember advisory capacity to the board of directors of an area development district.

^b The administrative regulation has not been updated to include the amendments contained in 2014 Ky. Acts ch. 92, effective January 1, 2015. Under those amendments, the former system of six classes of city was changed to a system recognizing only “cities of the first class” and “home rule cities.” The Department for Local Government created and maintains a registry of cities that were classified as cities of the second or third class at the time of the statutory change. It is the classification prior to the statutory change that determines the board membership.

Tenure Of The Board Of Directors. The elected officials serve on the board of directors of each area development district during the tenure of their public office. Citizen members serve for terms not to exceed 3 years and may be eligible for election to additional terms as provided by the board of directors. Citizen board membership terminates on expiration of a term, board acceptance of a resignation, or change of residence to a locality outside the ADD. The board of directors may declare a citizen membership vacant when a member has failed, without reason, to attend three successive regular or special meetings of the board.

A member of the working group requested information regarding the length of tenure for each board member. The following information was provided in response to that question.

**Table 2.2
Board Member Tenure**

District	Number Of Members With Length Of Tenure		Total Members
	Less Than 3 Years	More Than 3 Years	
Barren River	18	27	45
Big Sandy	17	7	24
Bluegrass	24	51	75
Buffalo Trace	13	14	27
Cumberland Valley	18	36	54
FIVCO	7	19	26
Gateway	7	8	15
Green River	16	15	31
Kentucky River	16	24	40
KIPDA	7	15	22
Lake Cumberland	25	20	45
Lincoln Trail	14	32	46
Northern Kentucky	10	29	39
Pennyrile	16	23	39
Purchase	16	19	35

Officers Of The Board Of Directors. Annual selection of officers must be held at a designated meeting in each calendar year. The board of directors shall elect a chairman, a vice chairman, a secretary, a treasurer, and any other officers the board may deem necessary. The offices of secretary and treasurer may be combined. Each officer is elected for a term of 1 year. No member is eligible to hold more than one office at a time. No officer is eligible to serve more than two full terms consecutively in the same office.

KRS 147A.070 allows the board of directors in each district to appoint an executive director and a deputy executive director; fix the salary for each position; and delegate to the executive director all functions, duties, and power to exercise the authority of the board. A deputy executive director, if one is hired, performs the functions and duties as designated by the executive director.

The board of directors may elect from its membership an executive committee to employ staff members required for the operations of the district, manage the financial assets and obligations of the district, guide the activities of the district between meetings of the board, and perform other duties delegated to it by the board.

The statutes outline both the power and duties of each board of directors of the area development districts. KRS 147A.080 states that each board of directors shall have the power to

- sue and be sued;
- adopt bylaws and make rules and regulations for the conduct of its business;
- make and enter into all contracts or agreements necessary or incidental to the performance of its duties;
- provide upon request basic administrative, research, and planning services for any planning and development body located within the district;
- accept, receive, and administer loans, grants, or other funds or gifts from public and private agencies including the commonwealth and the federal government for the purpose of carrying out the functions of the district;
- expend those funds as it may consider advisable or necessary in the performance of its duties;
- acquire, hold as may be necessary and convenient, encumber, or dispose of real and personal property, except that no board shall have the power of eminent domain;
- charge fees, charge rents, and otherwise charge for services provided by the board, except that no board shall have any power to levy taxes;
- enter into interlocal agreements or interstate compacts to the extent authorized by laws of the commonwealth (an ADD is deemed a public agency);
- promote, organize, and advise special districts or other authorities in accordance with the laws of the commonwealth and act as the regional clearinghouse for such programs and projects as prescribed by federal regulation; and
- perform other acts as may be necessary to carry out the duties and responsibilities created in KRS 147A.050 to 147A.120.

KRS 147A.090 provides that each district board of directors has the power, duty, and authority to

- establish functional advisory committees as may be necessary and advisable. These functional advisory committees shall be organized to meet the guidelines as may be required for federal or state assistance;
- conduct the necessary research and studies and coordinate and cooperate with all appropriate groups and agencies in order to develop, and adopt and revise, when necessary, a district development plan or series of plans, including, but not limited to, the following districtwide plan elements: goals and objectives; water and sewer; land use; and open space and recreation. These plans shall serve as a general guide for public and private actions and decisions to assure the development of public and private property in the most appropriate relationships;
- prepare annually a report of its activities to the cities and counties within the district, the legislature, and the governor. The board shall make copies of the report available to members of the public within the district;
- comply with the provisions of KRS 65A.010 to 65A.090 related to requirements for special purpose governmental entities; and
- cooperate with the Kentucky Mountain Regional Recreation Authority established in KRS 148.0222 for the purpose of establishing, maintaining, and promoting recreational trails to increase economic development, tourism, and outdoor recreation for Kentucky's residents and visitors, not only in eastern Kentucky but throughout the commonwealth.

KRS 147A.116 requires each area development district and any board, committee, or other organization created by an ADD to

- comply with the provisions of KRS 61.870 to 61.884 related to open records;
- comply with the provision of KRS 61.800 to 61.850 for open meetings of public agencies;
- comply with state and federal procurement statutes and administrative regulations, as applicable;
- comply with and be subject to the provision of KRS 65A.070 related to the code of ethics for special purpose governmental entities by either adopting a code of ethics or abiding by the applicable code of ethics pursuant to KRS 65A.070;
- adopt policies to address conflicts of interest for employees and board members of the ADDs, which include a prohibition on employees and board members having any interest, either direct or indirect, in any contract entered into by the ADD or any agency created by the ADD;
- be subject to the provisions of KRS 61.101 to 61.103 related to whistleblower protections;
- adopt, implement, and maintain a detailed and equitable compensation policy for its employees, subject to the provisions of KRS 147A.070(4) related to various salary enhancements for employees of the ADD; and
- establish and maintain an independent process to receive, analyze, investigate, and resolve concerns relating to the various ADD administrative processes.

Regional Planning Commission. KRS 147A.125 requires each area development district to establish a regional planning council to act in an advisory capacity on planning matters throughout the district, except in the case of any ADD in which 50 percent or more of the population resides in cities or counties that participate in a regional planning authority, council of governments, or other agency that is authorized to perform regional planning functions.

The regional planning council is composed of one representative from each planning unit in the area development district. Each representative is appointed annually by the planning commission of each planning unit in the district. To be eligible for appointment to the council, a person must be a member either of the planning commission or of the planning commission's professional staff.

At its first regular meeting in each year, the council elects from its membership a president and a vice president. The vice president shall have the authority to act as president of the council during the absence or disability of the president.

The council shall meet at least quarterly in each year and may meet more often at the call of the president. To ensure compatible treatment of planned development throughout the district, the council may

- review comprehensive plans of planning units within the district for regional impact;
- develop regional transportation, infrastructure, and land use plans for the district; and
- make recommendations regarding the regional impact of proposed comprehensive plans and plan amendments of planning units within the district.

The area development district is required to provide staff and technical support as requested by the council. The council may offer training and education opportunities in the area of planning and zoning matters to planning commission members and staff in the district.

Solid Waste Management Plan. KRS 147A.140 allows each area development district to prepare a solid waste management plan emphasizing regional alternatives for reduction, collection, transportation, and disposal for a local government. The ADD shall not have authority to implement the area plan.

Relationships With State Agencies. The statutes also outline the relationship between the area development districts and other state agencies.

- The Department for Local Government is required to
 - administer the distribution of state and federal planning funds to the ADDs;
 - promulgate administrative regulations related to financial and operational reports, audits, and other controls necessary to assure compliance with state and federal laws relating to funds received; and
 - promulgate administrative regulations to assure statewide coordination of the planning and assistance operations of the districts (KRS 147A.004).
- In addition to the Department for Local Government, the ADDs are required to maintain relationships with the Cabinet for Health and Family Services and the Education and Workforce Development Cabinet. Federal money flows from the national level to each of these two state agencies for distribution to the local level.
 - At the federal level, the Older Americans Act creates one of the largest funding sources for programs administered by Kentucky's Department for Aging and Independent Living.
 - Additionally, the Workforce Innovation and Opportunity Act drives the structure of workforce initiatives at the state and local levels.
 - The flowing of federal funds through these two agencies creates the largest dollar amounts and the most significant assistance to Kentucky citizens.
- The Finance and Administration Cabinet is required to allocate funds to each district for the purpose of carrying out the district's responsibilities and for matching federal and local funds (KRS 147A.100).
- The ADDs are deemed public agencies. Therefore, no district is required to pay taxes or assessments on any project, on any property acquired or used by it, or on the district's income (KRS 147A.110).
- No ADD shall enter into any contract with a certified public accountant or firm to perform an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within 30 days of receipt of a written request (KRS 147A.117).
- Various other statutes require cooperation with or reporting to agencies, including the Cabinet for Health and Family Services; the Education and Workforce Development Cabinet; the Transportation Cabinet; the Department of Housing, Buildings and Construction; the Office of Homeland Security; the Kentucky Infrastructure Authority; the Division of Water; and the Mississippi River Parkway Commission of Kentucky.

Chapter 3

Financial Disclosure Reports

The statutes require the area development districts to complete or maintain three types of financial reports:

- Financial reports from special purpose governmental entities
- Financial reports submitted to the Legislative Research Commission
- Audited financial statements

Financial Reports Required From All Special Purpose Governmental Entities.

KRS 65A.010 defines *special purpose governmental entity* to include an agency, authority, or entity that is created or authorized by statute and provides public services. Included within the statutorily listed public services are area planning, management, community improvement, and community development services. Therefore, by definition, an area development district is a special purpose governmental entity.

All special purpose governmental entities are required to annually submit to the Department for Local Government certain information in the form and format required by the department:

- Administrative information
 - Name, address, and other information identifying the entity
 - Fiscal year
 - Operational boundaries and service area of the entity
 - Primary contact for the entity for purposes of communication from the department
 - Code of ethics that applies to the entity and whether the entity has adopted additional ethics provisions
- Financial information
 - The most recent adopted budget of the entity for the upcoming fiscal year
 - A comparison of the budget to actual revenues and expenditures for each fiscal year
 - Completed audits

Related to these reports, the Department for Local Government is required to

- establish and maintain an online list of due dates for the filing of reports, audit certifications, and information for each special purpose governmental entity;
- provide forms, an online reporting portal, and an online central registry available for reporting by special purpose governmental entities;
- make available online access to the information reported by special purpose governmental entities; and
- on or before each October 1, file an annual report with the Legislative Research Commission detailing the compliance of special purpose governmental entities with these provisions.

Staff has analyzed all the financial disclosure reports required by KRS 65A.020 that were submitted by each area development district for fiscal years 2015 to 2018 and posted within the Department for Local Government reporting portal for all special purpose governmental entities.

The 2019 reports were not included in the staff analysis because they will not be available until after the end of the fiscal year, and the submission of those reports by the ADDs is not required until October 1. Staff made the following analytical observations related to the special purpose governmental entity reports that the ADDs submitted:

- These are standardized reports, submitted by every type of special purpose governmental entity. The reports submitted by the ADDs contain mostly zeros. Not every line item on the report will apply to the ADDs because of the standardized format.
- These reports are not what accountants and auditors consider a balance sheet. The reports do not take a snapshot of the financial condition at a particular point in time, such as the end of the fiscal year.
- These reports are more similar to cash flow statements. They reflect the amount of revenues, including borrowed money, that flow into the ADD during the fiscal year and the amount of appropriations—in the form of personnel, operations, administration, capital outlay, and debt service—that flow out of the ADD during the fiscal year.
- There is no reporting on this form of the assets or liabilities of the ADD at any specific point in time.
- These reports do not contain specific information about certain types of activities, such as the amount of reserve funds available or the amount of loans outstanding. The reports contain only indications of such activity, such as the amount of carryover or the amount of debt service paid during a fiscal year, respectively.
- There are no details submitted with these reports to allow any further analysis by staff related to any underlying circumstances behind a specific number or the appropriateness of any action, such as services performed or management of any particular ADD.
- More information, in addition to these reports, will be needed to understand whether an ADD is in compliance with all statutory requirements.

Staff presented a chart recapping the 4-year averages of the amounts presented in the special purpose governmental entity reports submitted by the area development districts.

Table 3.1
Recap Of 4-Year Averages In Special Purpose Governmental Entity Reports

District	Revenues										Appropriations				
	Intergov't Revenues	Charges For Services	Other Revenues	Interest Earned	Carryover From Prior Fiscal Year	Borrowed Money	Personnel	Oper.	Admin.	Capital Outlay	Debt Service				
	93%	1%	5%	0%	1%		27%	70%	3%						
Barren River	95	4	1	0	—	—	51	37	12	—	—				
Big Sandy	98	0	2	0	—	—	19	78	3	0%	0%				
Bluegrass	72	—	2	2	25	—	23	39	38	0	0				
Buffalo Trace	31	12	56	0	—	—	29	68	1	—	1				
Cumberland Valley	98	—	2	—	—	—	57	14	26	1	3				
FIVCO	100	0	0	0	—	—	43	50	4	2	1				
Gateway	65	—	—	—	35	—	84	14	—	2	1				
Green River	48	—	52	0	—	—	56	42	1	1	1				
Kentucky River	98	2	—	—	—	—	28	70	2	0	—				
KIPDA	96	—	4	0	—	—	59	39	3	—	—				
Lake Cumberland	97	0	1	1	—	—	32	67	0	0	—				
Lincoln Trail	98	—	0	0	—	2%	30	65	3	0	1				
Northern Kentucky	95	4	0	0	—	—	31	67	1	—	—				
Pennyrite	91	—	7	2	—	—	31	67	1	—	—				
Purchase															

Note: Intergov't = Intergovernmental; Oper. = Operations; Admin. = Administration; — = no amount was reported for that category during any of the 4 years analyzed; 0% = there was a very small amount reported, insufficient in amount to be equal to or greater than 1 percent.

After staff presented information related to these reports, representatives from the area development districts at a subsequent meeting provided testimony and additional information regarding the variances or anomalies in the special purpose governmental entity reports:

- An incorrect transfer of data from the accounting software to the report occurred for one ADD.
- Another district did not include pass-through revenues and appropriations within the report for 1 year.
- The majority of the interest earned by the districts was related to program parameters and is not an indication of reserves.
- Some districts maintain debt for the purpose of building construction or improvement.

Financial Reports Required From Area Development Districts To LRC. Beginning in 2017, by December 31 of each year, each area development district that receives state or federal funds is required to prepare and submit a detailed report to the Legislative Research Commission (KRS 147A.115). The report shall include the following financial information from the preceding fiscal year:

- For each allocation, distribution, award, or grant of state or federal funds, the total amount, the percentage of the total amount, and a description of the specific types of expenditures made for or allocated to administrative costs, direct expenditures, and indirect expenditures
- Allocation, distribution, award, or grant funds not expended, and an explanation of why the funds were not expended
- The total amount of reserves carried forward by the ADD, identification of the source of those funds, and an explanation of why the funds are being carried forward
- For each program:
 - A list of direct services provided by the district
 - A list of service providers contracted by the district and the services provided by those providers
 - The number of persons eligible for the program, the number of persons served by the program, and, if applicable, the number of people on waiting lists for the program
 - The performance measures required by the contract used to evaluate the ADD's actions

Staff analyzed the reports required to be submitted to the Legislative Research Commission by the area development districts. Two years of reports were available for analysis: FY 2017 and FY 2018. Staff concentrated on the FY 2018 reports for presentation purposes. Because some of the reports were not readable, the ADD representatives have retabulated the chart presented by staff detailing the sum of each data item required to be reported to the Legislative Research Commission.

**Table 3.2
FY 2018 Summation Of Data Items In Reports Submitted To LRC**

District	Grant Award	Local Funds	Total Grant Funds	% Of Admin. Costs		% Of Direct Exp.		% Of Ind. Exp.		% Of Unexp. Funds	
				Admin. Costs	Admin. Costs	Direct Exp.	Direct Exp.	Ind. Exp.	Ind. Exp.	Unexp. Funds	Unexp. Funds
Barren River	\$3,581,278.00	\$34,786.00	\$3,616,064.00	\$298,202.00	8.25%	\$2,923,846.00	80.86%	\$267,724.00	7.40%	\$126,292.00	3.49%
Big Sandy	9,927,465.00	215,391.00	10,142,856.00	244,937.00	2.41	5,396,508.00	53.21	569,211.00	5.61	3,932,200.00	38.77
Bluegrass	14,107,790.13	2,090,877.69	16,198,667.82	694,751.08	4.29	12,456,552.55	76.90	546,751.45	3.38	2,500,612.74	15.44
Buffalo Trace	9,730,179.90	20,129.34	9,750,309.24	251,597.50	2.58	5,966,541.82	61.19	467,115.36	4.79	3,065,054.57	31.44
Cumb. Valley	4,222,718.20	219,677.00	4,440,395.20	170,668.51	3.84	3,892,590.00	87.66	487,481.00	10.98	60,804.20	1.37
FIVCO	2,011,036.32	30,534.13	2,041,570.45	139,493.34	6.83	1,575,114.80	77.15	265,299.16	12.99	61,663.15	3.02
Gateway	1,629,906.64	184,170.73	1,814,077.37	127,706.00	7.04	1,355,649.05	74.73	263,877.24	14.55	66,791.08	3.68
Green River	6,317,234.07	799,604.90	7,116,838.97	391,938.16	5.51	5,273,907.26	74.10	418,238.19	5.88	1,032,755.36	14.51
Ky. River	2,652,734.62	401,940.65	3,054,675.27	159,542.16	5.22	2,450,317.26	80.22	440,243.85	14.41	4,572.00	0.15
KIPDA	11,823,927.90	839,264.00	12,663,191.97	738,429.62	5.83	9,657,799.34	76.27	901,194.82	7.12	1,365,768.19	10.79
Lake Cumb.	9,548,526.40	474,070.06	10,022,596.49	528,213.43	5.27	6,923,304.13	69.08	797,698.12	7.96	1,773,380.81	17.69
Lincoln Trail	6,963,553.25	165,607.00	7,129,159.77	440,537.93	6.18	4,515,723.04	63.34	424,052.95	5.95	1,748,845.85	24.53
Northern Ky.	10,051,557.20	555,378.25	10,606,935.52	506,948.67	4.78	8,401,284.56	79.21	445,599.97	4.20	1,253,066.32	11.81
Pennyrite	11,992,616.40	265,495.12	12,258,111.58	490,303.04	4.00	7,011,249.24	57.20	599,530.88	4.89	4,157,028.42	33.91
Purchase	4,208,399.67	57,966.46	4,266,366.13	230,361.77	5.40	3,147,879.33	73.78	487,342.50	11.42	400,782.54	9.39

Note: Admin. = Administrative; Exp. = Expenditures; Ind. = Indirect; Unexp. = Unexpended; Cumb. = Cumberland.

Staff made the following analytical observations related to the reports that the area development districts must submit to the Legislative Research Commission:

- One report was received without identification of the ADD to which the report belongs. It is assumed to be the report for Lake Cumberland ADD since 15 reports were received for that fiscal year, no other report was identified for Lake Cumberland, and all other reports contained names.
- Unlike the reports submitted to the Department for Local Government, there is no standardized format for the reports submitted to the Legislative Research Commission. Some formats allowed for sorting of information within the document; other formats do not. When printed, some formats are readable; other formats are not. For some reports, staff was required to use computer technology to enlarge the print of the report for reading purposes.
- Lingo is used within the report. A reader unfamiliar with this lingo or the underlying program cannot fully understand all aspects of the report to form a determination about that program.
- In almost every instance related to performance measures, the report directs the reader to a master performance measure binder or the memorandum of agreement, neither of which was submitted with the reports.

Related to the reporting required for performance measures, the statute requires the report to contain the performance measures required by the contract used to evaluate the area development district's actions. Technically, the ADDs have complied with the statutory requirement by providing the contractual terms related to the performance measures. Rather than receiving the performance measures required by the contract, the General Assembly may wish to amend this statute to require the ADD to report the result when the required performance measures are applied to the ADD related to the actual performance of the contract.

Additionally, staff pointed out that a financial report will not conclude whether the money was used appropriately. There is no requirement for a management or performance audit to review the decisions made, the actions taken, or results from the funding used by the area development districts.

During the analysis of these reports, staff pointed out that a difference existed between the amount of funding allocated through the Department for Local Government and the amount reported on the reports submitted to the Legislative Research Commission. That difference was \$805,346. Representatives from the area development districts testified that the difference is related to the budget cut implemented by the Department for Local Government.

Audited Financial Statements. KRS 65A.030 requires annual audited financial statements for each area development district, unless the annual receipts from all sources or annual expenditures fall below \$500,000. The districts may employ an independent certified public accountant or contract with the Auditor of Public Accounts to conduct the audit. The audit must be completed no later than 12 months following the close of the fiscal year subject to the audit. Upon completion, the special purpose governmental entity is required to submit the audit for publication in the form and format required by the Department for Local Government. For FY 2018, all ADDs contracted with outside firms to perform the audits. Each independent auditor's report is available on the reporting portal of the Department for Local Government. Those reports were provided by the certified public accountants listed in the following table.

Table 3.3
List Of Outside Accounting Firms Providing Audits For FY 2018

Accounting Firm	District
Barnes Dennig 2617 Legends Way Crestview Hills, KY 41017	Northern Kentucky
Calhoun & Company, PLLC 4537 Fort Campbell Boulevard Hopkinsville, KY 42240	Pennyrile
Campbell, Myers and Rutledge, PLLC 410 South Broadway Glasgow, KY 42141	Lake Cumberland
Carr, Riggs & Ingram 922 State Street Bowling Green, KY 42101	Barren River
Clauson Mouser & Co., PSC 3033 Ring Road Elizabethtown, KY 42701	Lincoln Trail
Cloyd & Associates, PSC 1301 West Fifth Street London, Kentucky 40741	Cumberland Valley
Kelley Galloway Smith Goolsby, PSC 1200 Corporate Court Ashland, Kentucky 41105	Big Sandy FIVCO
Kemper CPA Group, LLP 7200 Eagle Crest Blvd Evansville, IN 47715	Green River
MCM CPAs & Advisors, LLP 2600 Meidinger Tower 462 South Fourth Street Louisville, KY 40202	KIPDA
RFH, PLLC 300 West Vine Street, Suite 800 Lexington, KY 40507	Bluegrass Buffalo Trace Gateway Kentucky River
Williams & Lentz, CPAs 601 Jefferson Street Paducah, KY 42001	Purchase

Some members of the working group asked for information about the differing roles that the area development districts perform. One of these roles may be to actually provide the service to citizens related to the contract or grant awarded to the ADD. A second role may be to only administer the contract or grant awarded to the ADD, while another party provides the service to citizens.

All area development districts provide services through some of the contracts and grants received. Additionally, all ADDs provide administration for other contracts and grants received.

Finally, related to some contracts and grants, the area development district is both the service provider and the administrator of the contact or grant. Table 3.4 is a list, by ADD, detailing the

programs within which the ADD provides both the service to citizens and administers the contract or grant awarded to the ADDs.

Table 3.4
Programs With Administration And Service Roles By Area Development District

District	Program
Barren River	<ul style="list-style-type: none"> • Title III B Administration, Case Management, and Assessment • Title III E Administration and Family Caregiver Services • Homecare Administration, Case Management, and Assessment • SHIP Administration and Services
Big Sandy	<ul style="list-style-type: none"> • Homecare Administration, Case Management, Assessment, Chore, Escort, Personal Care, Respite, and Home Management • Title III E Administration and Family Caregiver Services • Community Collaboration for Children
Bluegrass	<ul style="list-style-type: none"> • Title III E Administration, Family Caregiver Services, and ADRC • Title III B Administration and ADRC • Homecare Administration and ADRC
Buffalo Trace	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, and Ombudsman • SHIP Administration and Services • Homecare Administration, Case Management, Assessment, and ADRC
Cumberland Valley	<ul style="list-style-type: none"> • Homecare Administration, Case Management, Assessment, and ADRC • Title III B Administration, Case Management, Assessment, and ADRC • Title III E Administration and Family Caregiver Services • WIOA Administration and Career Services (in three counties)
FIVCO	<ul style="list-style-type: none"> • Title III B Administration, Case Management, and Assessment • Homecare Administration, Case Management, Assessment, ADRC, and In-Home Services • Title III E Administration and Family Caregiver Services • WIOA Administration, Career, and Business Services
Gateway	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, Healthy Promotions, Homemaking, Information and Assistance, Outreach, Personal Care, and Transportation • Title III C1 Administration, Congregate Meals, and Nutrition Education • Title III C2 Administration, Home Delivered Meals, and Nutrition Education • Title III E Administration and Family Caregiver Services • Homecare Administration, Case Management, Assessment, Information and Assistance, Chore, Home Management, Personal Care, Home Delivered Meals
Green River	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, Information and Assistance, and Ombudsman • Title III E Administration and Family Caregiver Services • Homecare Administration, Case Management, and Assessment • WIOA Administration and Business Services
Kentucky River	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, Health Promotions, Information and Assistance, Outreach, Transportation, Advocacy, Education, and Recreation • Legal Assistance and Public Information • Title III C1 Administration, Congregate Meals, and Nutrition Education • Title III C2 Administration, Home Delivered Meals, and Nutrition Education • Title III E Administration, Family Caregiver Services, Information, and Assistance • Homecare Administration, Case Management, Assessment, Information and Assistance, Home Management, Personal Care, Home Delivered Meals, and Supplies
KIPDA	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, Information and Assistance, and ADRC • Title III E Administration, Family Caregiver Services, and ADRC • SHIP Administration and Services

Area Development District Working Group

District	Program
	<ul style="list-style-type: none"> • Homecare Administration, Case Management, Assessment, and ADRC • Kentucky Caregiver Admin and Services and ADRC
Lake Cumberland	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, Information and Assistance, Recreation, Transportation, and Ombudsman • Title III E Administration and Family Caregiver Services • Homecare Administration, Case Management, Assessment, Information and Assistance, Home Delivered Meals • SHIP Administration and Services • Title III C1 Administration and Congregate Meals • Title III C2 Administration and Home Delivered Meals • Kentucky Caregiver Administration, Services, and ADRC • WIOA Administration and Business Services
Lincoln Trail	<ul style="list-style-type: none"> • Title III B Administration, Case Management, and Assessment • Homecare Administration, Case Management, and Assessment • Title III E Administration and Family Caregiver Services
Northern Kentucky	<ul style="list-style-type: none"> • Title III B Administration and Case Management, Assessment, Information and Assistance, Outreach, Ombudsman (also includes Title VII, Elder Abuse and Long-Term Care Ombudsman even though no administration dollars are available) • Title III D evidence-based activities of CDSMP, Falls Talk, Tai Chi for Arthritis, and Bingosize (no administration dollars available) • Title III E Administration and Family Caregiver Services • Homecare Administration, Case Management, Assessment, Information • PDS Waiver Administration and Case Management, Financials
Pennyrile	<ul style="list-style-type: none"> • Title III B Administration, Case Management, Assessment, and Ombudsman • Title III E Administration and Family Caregiver Services • Homecare Administration, Case Management, and Assessment
Purchase	<ul style="list-style-type: none"> • Title III B Administration, Ombudsman, and ADRC • SHIP Administration, Services, and ADRC • Title III E Administration, Family Caregiver Services, and ADRC • Homecare Administration, Case Management, Assessment, and ADRC

Note: SHIP = State Health Insurance Assistance Program; ADRC = Aging and Disability Resource Center; WIOA = Workforce Innovation and Opportunity Act; CDSMP = Chronic Disease Self-Management Program; PDS = Participant-Directed Services.

Chapter 4

Funds Held In Reserve

Staff pointed out that some of the financial reports submitted by the area development districts may indicate an evidence of reserved funds. Evidence of funds held in reserve may be reflected in the amount of interest earned during a year or a carryover of funds from one year to a subsequent year.

In the financial reports submitted to the Department for Local Government because the districts are special purpose governmental entities, 12 of the 15 area development districts indicated that they had earned interest. Most of the interest amounts reported were very minimal, except in the cases of the Buffalo Trace ADD and the Purchase ADD.

Representatives from the area development districts testified that the interest earned is not related to funds held in reserve. The majority of the amount of interest earned stems from loan portfolios consisting of US Department of Agriculture (USDA) Rural Development, Economic Development Administration, Appalachian Regional Commission, and Kentucky Agricultural Development funds used in the Revolving Loan Fund program. The amount of interest earned is restricted for use in those loan programs.

The same financial reports reflected a carryover of funds from one year to a subsequent year by three area development districts: Barren River, Buffalo Trace, and Green River.

The representatives testified that the carryovers in these three area development districts are not related to funds held in reserve. Because of the standardized terminology for the reports submitted by all special purpose governmental entities, a difference in terminology and audit classification exists. In some instances, cuts to program funding required a shift between restricted and unrestricted accounts in order to absorb those cuts without affecting the services delivered.

Chapter 5

Long-Term Debt

According to the audited financial statements posted on the Department for Local Government public portal, the following area development districts maintained a long-term debt balance as of June 30, 2018.

The Big Sandy Area Development District's long-term obligations outstanding as of June 30, 2018, consisted of notes payable in the amount of \$67,838. The district is a pass-through agent for several loans from the Kentucky Housing Corporation to the Mountain Housing Corporation. These loans are recorded as notes payable to the Kentucky Housing Corporation and a current note receivable from Mountain Housing Corporation. The balance of the notes payable at June 30, 2018, was \$67,838, of which \$9,106 is classified as a current obligation.

The Buffalo Trace Area Development District, in order to stimulate economic development and assist individuals in obtaining and rehabilitating residences, has chosen to participate in programs that require it to obtain long-term financing. The district, after obtaining these low-interest loans, uses this funding to create a loan program. The loans are repaid from payments collected from borrowers. The loan balance as of June 30, 2018, was \$358,474.

Note G to the audited financial statements of the Cumberland Valley Area Development District for June 30, 2018, related to long-term obligations, states that bonds in the amount of \$1,015,000 were issued in 2001 by the City of Barbourville, Kentucky, for the district. A resolution was adopted by the city, approving certificates of participation and a lease financing agreement with the district. A trust agreement was executed, by the city and the district, related to the execution and delivery of certificates of participation to investors. The bonds were issued on May 17, 2001, with interest rates varying from 5.25 percent to 5.75 percent. The bonds outstanding of \$295,000 at June 30, 2018, are payable out of revenues of the district. Bonds retired during the year were \$65,000. The ending balance of bonds payable equals \$255,000.

The FIVCO Area Development District's long-term obligations outstanding as of June 30, 2018, consist of notes payable of \$1,073,045. Debt service payments of \$16,502 were made during the fiscal year. The three notes payable are secured by all assets and pledged revenues of the district, have interest rates of 4.375 percent, 4.125 percent, and 4.5 percent, and have maturity dates of either July 18, 2048, or January 26, 2049. According to testimony from the representatives of the ADDs, the debt is for building construction.

The audited financial statements for the Gateway Area Development District reflect long-term debt of \$1,077,419 as of June 30, 2018. Notes to those statements indicate the following balances:

- Various loans with the Kentucky Housing Corporation, each with a 20-year maturity, bearing interest at a rate of 1 percent, maturing June 2025, equal to \$54,560
- A loan with USDA Rural Development, secured by office building, \$100,000, interest rate of 4.125 percent, due May 2040, equal to \$92,410

- A loan with USDA Rural Development, secured by office building, two loans of \$550,000, interest at a rate of 4.125 percent, due June 2047, equal to \$960,789

The Green River Area Development District had \$679,261 in outstanding debt, a decrease of 6.2 percent over the previous year. In June 2015, the Daviess County Fiscal Court issued bonds, the proceeds of which were used to refinance the long-term debt on the district's building. The district and the county then entered into a 15-year lease agreement wherein the district agreed to pay to the county, as rent for the property, amounts equal to the semiannual debt payments of \$32,390, including interest at 2.8 percent through July 1, 2030. The lease is an absolute net lease under which the district pays, in addition to rent as stated above, any and all expenses related to the leased premises. The property shall become the property of the district in fee simple absolute, and the county's interest therein shall be conveyed to the district, without cost, upon the district's performance of all obligations under the lease.

During the year ended June 30, 2017, the Kentucky River Area Development District obtained a debt issue for \$1,500,000 to purchase a building for its daily operation. The debt issue is payable over 40 years with annual principal and interest payments. The first interest payment was due January 12, 2018, with final payment due January 12, 2057. The debt issue is at a fixed rate of interest of 2.875 percent. Interest expense for the year ended June 30, 2018, was \$39,522. The ending balance for the debt issue is \$1,476,217.

The notes payable for the Lake Cumberland Area Development District consists of various loans, which the district obtained by for building upgrades and equipment additions over the last several years. These loans were obtained from South Kentucky Rural Electric Cooperative Corporation, Shelby Energy Corporation, and US Rural Development. There were no new loans for the year ended June 30, 2018, and the balance equaled \$536,447.

At the end of FY 2018, Lincoln Trail Area Development District had paid off \$2,027 in outstanding debt. The district participated in the nonprofit housing production loan program administered by the Kentucky Housing Corporation, whereby the district received funds for the purpose of making low-interest loans to eligible applicants. The district was required to repay these loan program funds to the Kentucky Housing Corporation in annual installments plus interest at the rate of 1 percent per annum, paid quarterly. The district paid the outstanding loan balance in full on July 31, 2018.

The land and office building of the Northern Kentucky Area Development District are financed by long-term debt. This debt represents the only capital-assets-financed debt of the district. In December 2013, the district's remaining USDA First Mortgage Revenue Bonds, Series 2001, were paid in full with funds provided by the City of Florence under a capital lease arrangement. The lease/financing arrangement with the City of Florence has an average interest rate of 3.5 percent, payable semiannually. The unpaid balance was \$1,960,000 at June 30, 2018.

The Pennyrile Area Development District had \$1,153,746 in outstanding notes and program debt, the Pennyrile Housing Corporation had \$578,973 in outstanding notes and program debt on June 30, 2018, and the Pennyrile Development and Governmental Center had \$508,196 in outstanding notes. These loans are related to a building addition, loans to reduce relending

program debts, and the housing program in Grand Rivers. The Pennyrile Housing Corporation's payments to the Kentucky Housing Corporation for the nonprofit housing production loans are drawn down periodically as the money is needed for various housing projects. There were no borrowings during the fiscal year ended June 30, 2018.

The Purchase Area Development District maintains a notes payable account totaling \$1,781,239.51 as of June 30, 2018. These notes payable are related to various loans from the Intermediary Relending Program, the Kentucky Housing Corporation Production Loan Program, and the Small Business Administration's Microloan III program.

Chapter 6

Joint Funding Administration

For FY 2019 and FY 2020, the formula used by the Department for Local Government to distribute both federal and state money for the Economic Development Administration program, the Community Development Block Grant program, and the Appalachian Regional Commission program to an area development district is noncodified language contained in 2018 RS HB 200, as modified by 2019 RS HB 268.

2018 RS HB 200 provided the basic structure for the Department for Local Government to allocate area development district funding appropriated to the Joint Funding Administration (JFA) program as follows:

- 70 percent of the total appropriation shall be allocated equally among all ADDs;
- 20 percent of the total appropriation shall be allocated based upon each ADD's proportionate share of total state population, as identified by the 2010 US Census; and
- 10 percent of the total appropriation shall be allocated based upon each ADD's proportionate share of total incorporated cities and counties, as identified by the records of the Kentucky Secretary of State's Land Office at the time of the allocation.

The Department for Local Government shall, upon the unanimous written direction of all area development districts, reduce the allocation based upon proportionate share of total incorporated cities and counties and instead allocate those funds to provide additional nonfederal dollars to ADDs for the purpose of maximizing federal awards.

2019 RS HB 268 modified 2018 RS HB 200, allowing flexibility to area development districts as follows:

Notwithstanding KRS 42.350(2) and provided that sufficient funds are maintained in the Joint Funding Agreement Program to meet the match requirements for the Economic Development Administration grants, Community Development Block Grants, Appalachian Regional Commission grants, or any federal program where the Joint Funding Agreement funds are utilized to meet nonfederal match requirements, an area development district with authorization from its Board of Directors may request approval to transfer funding between the Area Development Fund and the Joint Funding Agreement Program from the Commissioner of the Department for Local Government.

As noncodified language related to the operating budget of the executive branch, the provisions in 2018 RS HB 200 and 2019 RS HB 268 will expire at midnight on June 30, 2020.

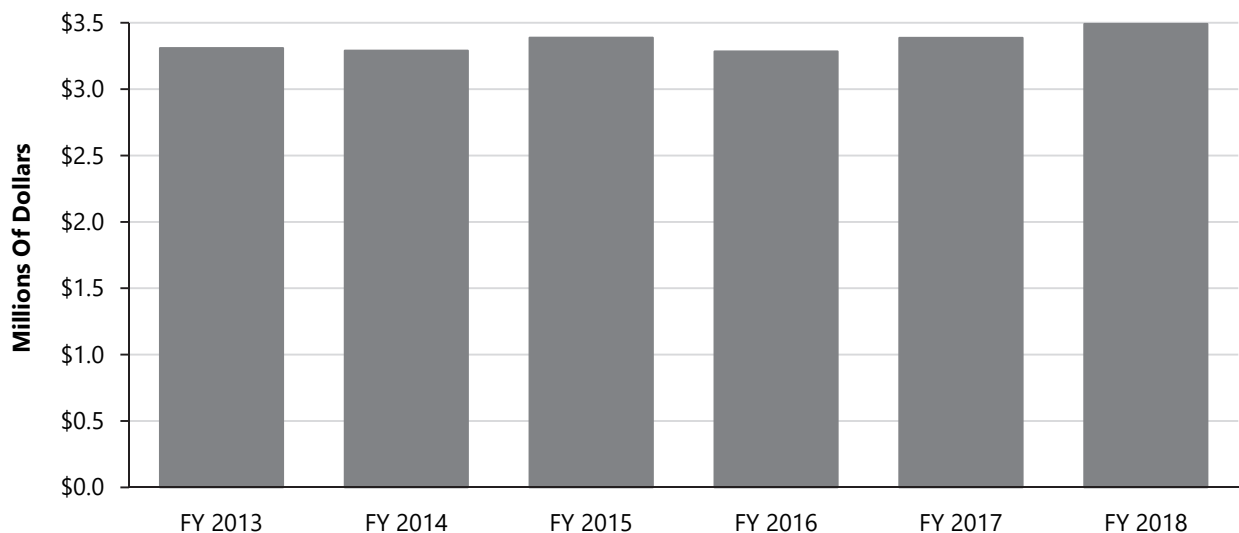
Staff presented multiple years of data related to money distributed through the Joint Funding Administration.

Table 6.1
Distribution Of Joint Funding Administration Dollars
By The Department For Local Government
FY 2013 To FY 2018

District	2013	2014	2015	2016	2017	2018
Barren River	\$216,942.21	\$213,712.00	\$218,440.00	\$210,726.39	\$222,102.78	\$233,828.49
Big Sandy	199,699.11	194,606.00	198,335.00	194,065.02	253,587.91	243,313.09
Bluegrass	311,347.00	306,377.00	309,478.00	301,629.71	341,537.39	304,949.82
Buffalo Trace	176,783.59	174,112.00	178,446.00	173,306.22	190,435.77	216,337.33
Cumberland Valley	199,590.39	193,723.00	212,484.00	208,140.58	289,623.10	289,990.89
FIVCO	205,807.71	201,131.00	205,485.00	200,811.42	233,154.53	245,774.64
Gateway	172,336.06	171,125.00	175,480.00	171,033.40	205,681.69	213,313.74
Green River	219,689.16	219,834.00	223,562.00	215,014.46	184,326.44	217,097.79
Kentucky River	195,075.63	189,437.00	209,451.00	205,171.80	275,199.67	291,623.34
KIPDA	313,543.09	329,422.00	340,666.00	326,720.08	193,916.16	208,436.78
Lake Cumberland	205,037.27	201,897.00	208,757.00	204,125.67	266,921.25	277,242.94
Lincoln Trail	210,943.66	211,089.00	214,817.00	206,347.98	164,412.93	176,722.72
Northern Kentucky	261,050.48	261,190.00	264,298.00	253,917.34	189,784.60	199,830.53
Pennyrile	215,073.66	215,219.00	218,947.00	210,555.83	210,963.33	200,470.93
Purchase	206,681.44	206,826.00	210,554.00	202,771.82	164,652.45	172,366.99

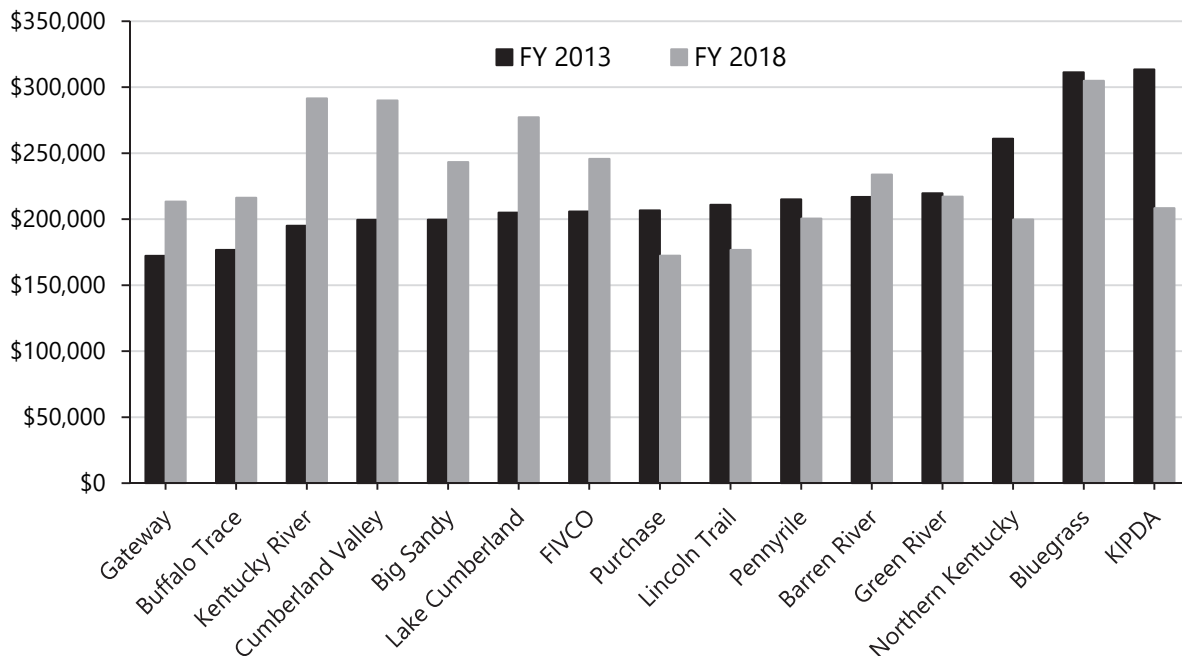
From FY 2013 through FY 2018, the total amount distributed by fiscal year has varied little, ranging from \$3.29 million in FY 2014 to \$3.49 million in FY 2018, with the average annual percentage increase in the amount distributed across all area development districts just above 1.0 percent. Figure 6.A shows the total dollar amounts distributed to ADDs through the Joint Funding Administration.

Figure 6.A
Joint Funding Administration Dollars Distributed To Area Development Districts
FY 2013 To FY 2018



The data in Figure 6.A indicate that the total amount distributed via the Joint Funding Administration formula was relatively stable during this period. However, the amount distributed to each area development district—measured on either a percentage basis or a nominal dollar basis—was more variable during the same period. Figure 6.B displays the amount of money distributed to each ADD in FY 2013 via the JFA formula and compares it to the amount distributed in FY 2018. Eight ADDs received more funding in FY 2018, and seven received less.

Figure 6.B
Joint Funding Administration Formula Dollars Distributed, By Area Development District
FY 13 And FY 18



The Joint Funding Administration formula data provided to staff indicated that the amounts distributed to the area development districts showed little change from FY 2013 to FY 2016 but were much more variable in FY 2017 and FY 2018. To illustrate these differences at different points in time, staff examined the dollars distributed in FY 2016 and FY 2018 relative to the amount distributed in FY 2013, on both a percentage basis and a nominal dollar basis.

The data in Figure 6.C display the amount distributed to each area development district in FY 2016 and FY 2018 via the Joint Funding Administration formula, compared to the amount for FY 2013. The black center line indicates levels for FY 2013; the dark gray bars represent the percentage difference in FY 2013 and FY 2016 JFA distribution levels.

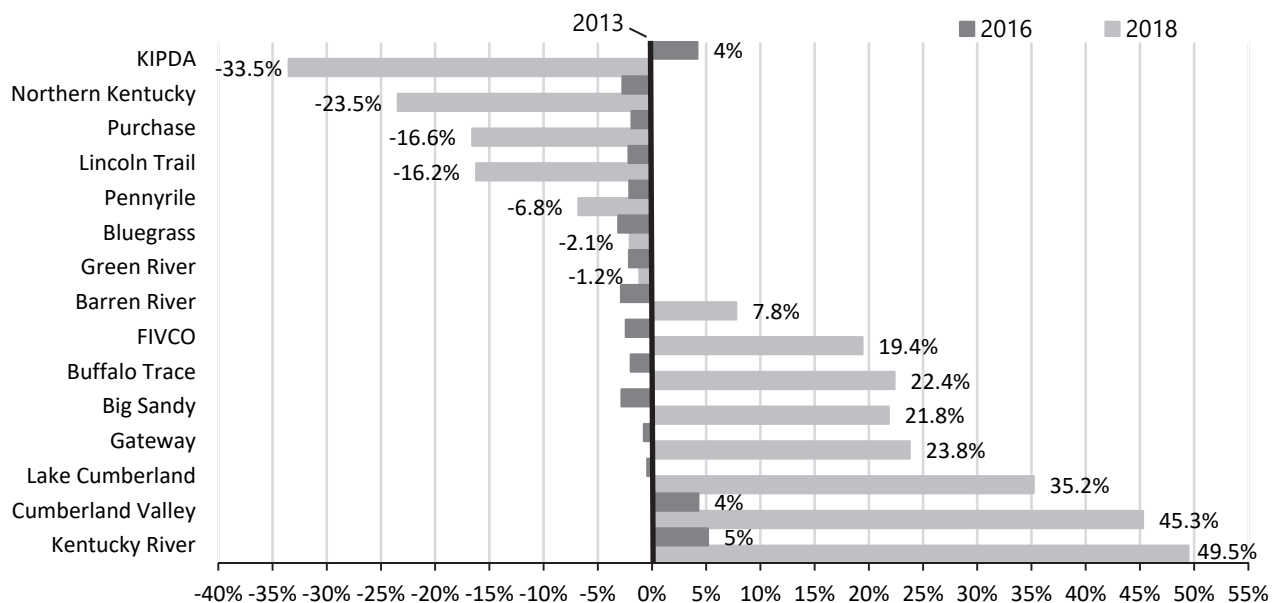
Two area development districts—KIPDA and Cumberland Valley—received 4 percent more money in FY 2016 than in FY 2013. The Kentucky River ADD received the highest percentage increase—5 percent—when comparing FY 2016 to FY 2013.

For each of the remaining 12 area development districts (Lake Cumberland, Gateway, Big Sandy, Buffalo Trace, FIVCO, Barren River, Green River, Bluegrass, Pennyryle, Lincoln Trail, Purchase, and Northern Kentucky), the amount for FY 2016 was 1 percent to 3 percent less than that for FY 2013. Across all 15 ADDs, the amount distributed for FY 2016 increased or decreased by 5 percent or less from the amount for FY 2013.

After FY 2016, there was more variation in the distribution to each ADD via the JFA formula when compared to FY 2013. The light gray bars in Figure 6.C represent the percentage difference between FY 2013 and FY 2018 JFA distribution levels. The Kentucky River ADD received 49.5 percent more money in FY 2018 than in FY 2013.

Overall, eight area development districts (Barren River, FIVCO, Buffalo Trace, Big Sandy, Gateway, Lake Cumberland, Cumberland Valley, and Kentucky River) received more money through the JFA formula in FY 2018 than in FY 2013. Seven ADDs (Green River, Bluegrass, Pennyryle, Lincoln Trail, Purchase, Northern Kentucky, and KIPDA) received less in FY 2018 than in FY 2013.

Figure 6.C
Joint Funding Administration Formula Percent Change In Dollars Distributed
By Area Development District
FY 2016 And FY 2018 Compared To FY 2013



Since each area development district receives a different amount via the Joint Funding Administration formula, if two ADDs experience the same percentage change from one fiscal year to the next, the amount of money received in each ADD will differ. For this reason, it is informative to examine the change in the JFA distribution amounts across ADDs at different points in time, on a nominal dollar basis.

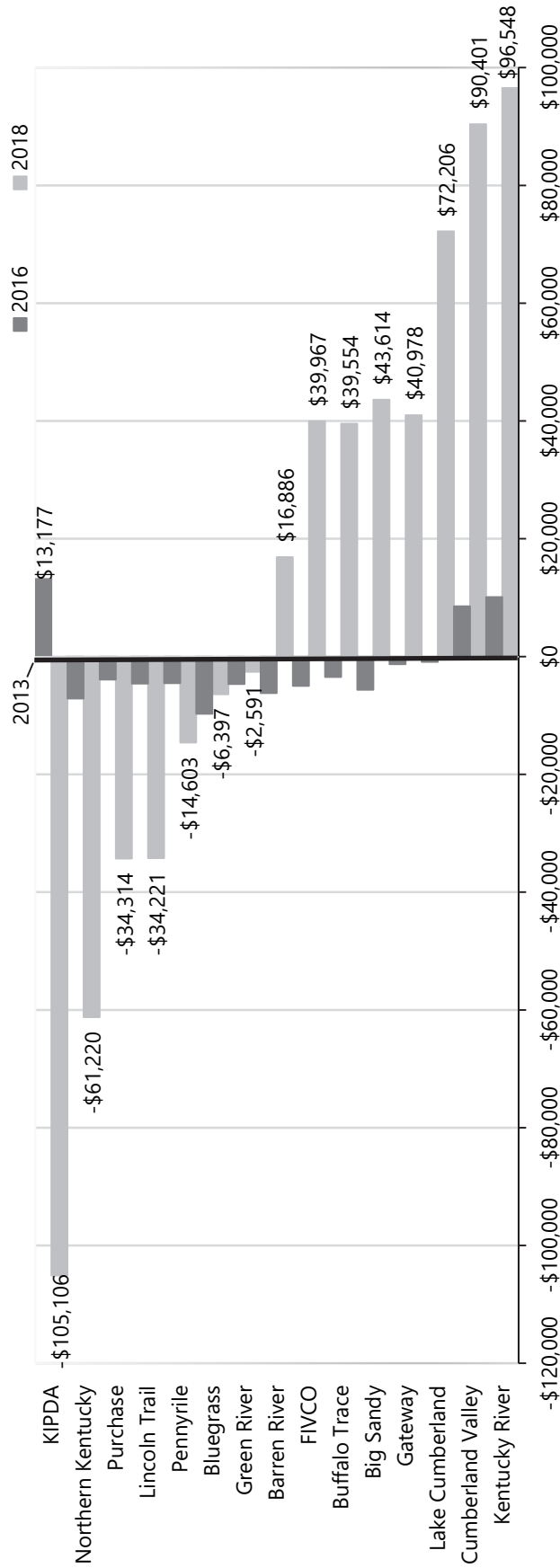
The data in Figure 6.D compare the change in Joint Funding Administration distribution amounts by area development district. The figure shows the differences between the FY 2016 and FY 2018 JFA distribution amounts and the FY 2013 amounts.

The black center line indicates levels for FY 2013; the dark gray bars represent the difference in the Joint Funding Administration distribution in FY 2016 and in FY 2013. Three area development districts received more money in FY 2016 than in FY 2013, but the amounts were relatively small, ranging from \$8,550 (Cumberland Valley) to \$13,177 (KIPDA).

Twelve area development districts received less money in FY 2016 than in FY 2013, but the amounts were relatively small, ranging from -\$912 (Lake Cumberland) to -\$9,717 (Bluegrass).

The light gray bars in the chart represent the difference in the amounts distributed in FY 2018 and in FY 2013. Eight ADDs received more money through the Joint Funding Administration formula in FY 2018 than in FY 2013. The additional distribution amounts ranged from \$16,886 (Barren River) to \$96,548 (Kentucky River). Seven area development districts received less in FY 2018 than in FY 2013, ranging from -\$2,591 (Green River) to -\$105,106 (KIPDA).

Figure 6.D
Joint Funding Administration Formula Change In Dollars Distributed, By Area Development District
FY 2016 And FY 2018 Compared To FY 2013



Chapter Summary

From FY 2013 to FY 2016, there was very little change in the total amount distributed across all area development districts and in the amount distributed to each ADD through the Joint Funding Administration formula.

After FY 2016, the total amount distributed across all area development districts increased slightly in each of the next 2 fiscal years, but the amount distributed to each ADD—measured on either a percentage basis or a nominal dollar basis—changed significantly.

In comparing the amount distributed to each area development district in FY 2018 relative to FY 2013, eight ADDs received more money and seven received less.

The largest impact was that fewer dollars were provided in FY 2018 (relative to FY 2013) to the KIPDA, Northern Kentucky, Purchase, and Lincoln Trail ADDs, and that more dollars were provided to the Kentucky River, Cumberland Valley, Lake Cumberland, Gateway, Big Sandy, Buffalo Trace, and FIVCO ADDs.

Chapter 7

Staffing Patterns

The area development districts provided the following employee staff counts.

Table 7.1
Staffing Count In Area Development Districts

District	Number Of Full-Time	Number Of Part-Time	Number Of Temporary	Total
Barren River	35	5	0	40
Big Sandy	72	2	0	74
Bluegrass	56	3	0	59
Buffalo Trace	34	0	0	34
Cumberland Valley	30	2	0	32
FIVCO	45	7	0	52
Gateway	17	13	0	30
Green River	53	15	0	68
Kentucky River	41	2	0	43
KIPDA	77	2	6	85
Lake Cumberland	83	4	1	88
Lincoln Trail	28	2	0	30
Northern Kentucky	72	3	13	88
Pennyrile	34	3	0	37
Purchase	47	2	3	52

The area development districts were asked whether the staff count had grown, reduced, or remained approximately the same over the last 5 years. Table 7.2 reflects the answers received from the ADDs.

Table 7.2
Growth Or Reduction In Area Development District Staffing
Past 5 Years

District	Growth/Reduction/Same
Barren River	Reduction
Big Sandy	Reduction
Bluegrass	Growth
Buffalo Trace	Reduction
Cumberland Valley	Same
FIVCO	Same
Gateway	Growth due to senior activities
Green River	Reduction
Kentucky River	Same
KIPDA	Overall reduction
Lake Cumberland	Same
Lincoln Trail	Same
Northern Kentucky	Reduction
Pennyrile	Reduction
Purchase	Same

Several of the working group members were concerned with the number of citizens currently waiting for services, primarily in the aging services category. The following waiting list information was provided by the area development districts as of the end of FY 2019.

Table 7.3
Aging Services Waiting List
June 30, 2019

District	County	Personal Care	Homemaker	Home-Delivered	
				Meals	Other*
Barren River	Allen	9	17	31	13
	Barren	21	54	70	21
	Butler	4	12	20	7
	Edmonson	6	19	39	8
	Hart	3	21	28	8
	Logan	16	29	40	16
	Metcalfe	3	8	15	4
	Monroe	12	23	45	10
	Simpson	21	31	47	13
Warren	48	105	178	57	
Big Sandy	Floyd	6	8	13	11
	Johnson	1	3	1	4
	Magoffin	0	0	9	0
	Martin	0	0	0	1
	Pike	2	9	0	0
Bluegrass	Anderson	0	1	8	1
	Bourbon	0	0	4	0
	Boyle	2	3	75	5
	Clark	0	1	7	3
	Estill	0	1	1	2
	Fayette	4	37	13	57
	Franklin	0	2	7	3
	Garrard	0	1	11	2
	Harrison	0	0	9	0
	Jessamine	0	6	24	7
	Lincoln	0	0	21	0
	Madison	2	7	68	13
	Mercer	0	1	5	2
	Nicholas	0	0	2	0
	Powell	0	3	33	5
Scott	0	2	8	4	
Woodford	0	1	6	2	
Buffalo Trace	Bracken	0	1	1	1
	Fleming	2	6	5	1
	Lewis	3	6	4	4
	Mason	1	5	4	5
	Robertson	0	0	0	0
Cumberland Valley	Bell	8	27	19	1
	Clay	4	6	4	1
	Harlan	11	22	17	0
	Jackson	3	6	4	0
	Knox	6	18	8	0

Area Development District Working Group

District	County	Personal Care	Homemaker	Home-Delivered	
				Meals	Other*
	Laurel	16	44	48	0
	Rockcastle	4	6	3	2
	Whitley	14	29	19	0
FIVCO	Boyd	1	15	2	4
	Carter	1	11	0	2
	Elliott	1	4	1	2
	Greenup	4	12	1	6
	Lawrence	0	0	0	0
Gateway	Bath	6	8	24	0
	Menifee	2	3	17	0
	Montgomery	3	11	20	1
	Morgan	4	10	0	0
	Rowan	12	32	40	0
Green River	Daviess	32	70	173	7
	Hancock	4	7	13	0
	Henderson	7	15	45	2
	McLean	3	3	4	1
	Ohio	7	8	33	2
	Union	4	7	8	1
	Webster	2	8	17	0
Kentucky River	Breathitt	0	5	7	2
	Knott	1	5	44	2
	Lee	0	12	10	3
	Leslie	1	4	28	3
	Letcher	1	5	27	8
	Owsley	1	4	6	0
	Perry	1	20	39	11
	Wolfe	0	8	13	1
KIPDA	Jefferson	146	331	286	448
	Bullitt	6	14	6	20
	Henry	2	8	4	9
	Oldham	5	14	8	19
	Shelby	2	6	6	7
	Spencer	1	5	1	9
	Trimble	6	7	3	9
Lake Cumberland	Adair	2	10	15	5
	Casey	2	6	9	2
	Clinton	1	5	12	1
	Cumberland	0	5	6	2
	Green	1	5	4	2
	McCreary	1	3	11	1
	Pulaski	2	14	40	5
	Russell	5	15	19	6
	Taylor	4	14	16	4
Wayne	1	0	0	0	
Lincoln Trail	Breckinridge	1	8	7	1
	Grayson	7	21	36	7
	Hardin	13	38	76	12
	LaRue	1	7	13	4
	Marion	6	18	24	3
	Meade	3	4	6	3

District	County	Personal Care	Homemaker	Home-Delivered	
				Meals	Other*
Northern Kentucky	Nelson	12	22	19	10
	Washington	2	2	10	2
	Boone	6	8	10	1
	Campbell	1	8	7	0
	Carroll	0	0	1	0
	Gallatin	0	2	3	0
	Grant	4	7	0	0
	Kenton	10	28	19	0
	Owen	0	2	0	0
Pendleton	2	1	4	0	
Pennyrile	Caldwell	17	43	38	0
	Christian	24	79	106	0
	Crittenden	8	16	13	0
	Hopkins	11	44	76	0
	Livingston	6	9	9	0
	Lyon	8	19	9	0
	Muhlenburg	3	16	20	0
	Todd	1	6	12	0
Trigg	5	17	18	0	
Purchase	Ballard	3	17	15	4
	Calloway	4	38	19	10
	Carlisle	1	9	11	5
	Fulton	3	15	23	10
	Graves	14	60	95	23
	Hickman	1	7	11	1
	Marshall	6	24	31	8
	McCracken	12	80	69	22

* Other = respite, chore, home repair, and other miscellaneous aging services.

During the working group meetings, representatives from the area development districts testified that the waiting lists were a result of a lack of sufficient funding, and not a function of insufficient staffing.

Chapter 8

Findings

1. **Area Development District Boundaries.** Staff researched archived documents to determine whether any indication could be found regarding reasons or justification for the number of ADDs and the boundaries established. No concrete reasoning was found.
 - a. Based on current population statistics, six ADDs have grown more rapidly than the statewide rate, eight have grown less rapidly, and one has decreased in population. The boundaries of the current 15 ADDs may require adjustment based on the current population.
 - b. Population may not be the only important aspect for determining boundaries of the ADDs.
 - c. Geography should also be considered, especially in light of vast topographical differences across the commonwealth.
 - d. The number of governmental units within the boundaries of an ADD may also lend additional information for boundary-setting parameters.
 - e. The land mass in square miles may be a final consideration.
 - f. A reduction in the number of ADDs may create savings, which could be used as additional funds for citizens.

2. **Tenure Of Board Members.** A review of the tenure of area development district board members was performed, comparing the number of ADD board members with less than 3 years of tenure to the number with more than 3 years. Those districts having more members with less than 3 years of tenure are Big Sandy, Green River, and Lake Cumberland. A review of the training process and procedures for new board members may be required to ensure that, at least in these three ADDs, board members are developing an understanding and knowledge to properly lead their district.

3. **Financial Reports.**
 - a. Regarding the reports required to be filed by all special purpose governmental entities under KRS 65A.020, the reports conform to a standardized format but may not be specifically related to the financial activities of the area development district. Many reports filed by the ADDs contain zeros in most categories because of this standardization. However, the reports are a useful guide for the general public in outlining the general categories of revenues and expenditures. Because of this useful purpose, no change is recommended related to the reports filed by the ADDs based on their classification as special purpose governmental entities. However, the ADDs are encouraged to continue discussions and training opportunities with staff preparing the reports so that consistent and correct information is provided on the Department of Local Government website.
 - b. Regarding the reports required to be filed with the Legislative Research Commission under KRS 147A.115, because the reports are not statutorily required to be submitted in a standardized format or electronic methodology, many were not readable by staff. One report failed to include identifying information. In other reports, lingo was used in a

manner that required an in-depth knowledge of each project. Although the area development districts met the literal reading of the statute related to performance measures, the General Assembly may not be receiving sufficient information related to the actual performance of the contract by each ADD. Changes may be needed that will provide content integrity in a format that will allow for the ADD funding information to be presented through already audited documents, without creating a separate reporting format that has proven to be inconsistent and somewhat confusing in its presentation. Using the executive branch transparency portal may assist in standardization of these reports, allowing the public to have search capabilities and reducing the financial burden of developing and creating tools at each ADD. Statutory changes are needed to accomplish the proposed changes for these reports.

4. **Consistent Reporting Methodology.** The annual financial statements filed with the Department for Local Government and posted on the Department's website and the financial statements submitted to the Legislative Research Commission contain different reporting and auditing methodology. Representatives from the area development districts testified that all districts have agreed to use a governmental reporting style for future audits.
5. **Management Or Performance Audits.** All financial reporting performed by the area development districts will not conclude whether money was used appropriately. There is currently no requirement for a management or performance audit to be performed for each ADD. Suggestions include cyclical, rather than annual, evaluations in this area.
6. **Joint Funding Administration.** Historically, the formula for the JFA distributions has not been codified in statutory language. The General Assembly chose to include the basic structure for allocating JFA dollars within Executive Budget language for FY 2019 and FY 2020, because of a deviation from the historical distribution methodology for the 2 prior fiscal years. To continue the historical distribution methodology, the General Assembly may permanently codify the formula or continue to provide the methodology in budget language.

