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, 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 non-partisan staff and members of the General Assembly. The issues or records to be analyzed include, but are not limited to:

1. 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 their role as the cognizant state agency for area development districts, and the districts themselves;
2. The amount of funds transferred or granted to each area development district on an annual and historical basis for a period of five 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;
3. The state or federal funds held in reserve by each area development district as well as statutory or regulatory processes by which those funds can be expended;
4. Level of long-term debt incurred by each area development district;
5. Historic spending trends of funds granted through the Joint Funding plan; and
6. Growth/reductions in staffing patterns in the execution of the planning functions versus the direct service provider roles as managed by the area development districts.

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:

Chart No. 1
Members and Staff Appointed to the Working Group

Working Group Members	Non-partisan Staff
Senator Chris McDaniel, Co-Chair	Jennifer Hays
Representative Suzanne Miles, Co-Chair	Mark Mitchell
Senator Dennis Parrett	Chase O'Dell
Senator Brandon Smith	Cynthia Brown
Representative Jim DuPlessis	Katy Jenkins
Representative Susan Westrom	Kevin Branscum

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:

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

A map indicating the boundaries of the area development districts follows.

Chart No. 2
Area Development District Boundaries

Staff researched archived documents to determine if 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 a time near the creation of the area development districts to more recent data.

Chart No. 3
Demographics of the Area Development Districts – Then and Now

Area Development District	Number of Counties	Population 1970	Population 2018	% (+-)	Area Square Miles	Per Capita Personal Income 1975	In 2017 $	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
Kentuckiana	7	776,578	1,009,989	+30.1%	1,892	5,943	27,700	48,228
Kentucky River	8	107,245	104,668	-2.4%	2,561	3,698	17,236	32,173
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%. Of the 15 area development districts, six have grown more rapidly, eight have grown less rapidly, and one has decreased in population.

KRS 147A.060 requires each area development district to have a board of directors. The composition of the board and 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 area development district composed of elected officials.

Board Membership. The composition of the board of directors of each area development district must consist of the following members:

- The county judge/executive of each county located within the area development district;
- A mayor of at least one incorporated city in each county located within the area development district, including:
    - The mayor of each city of the first, second, or third class located in the area development district;
    - If any county within the area development district 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 area development district, 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 area development district and have demonstrated an interest in regional development or public service;
    - The distribution must be fair among the counties of the area development district; 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 Representative 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.

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 three 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 resident to a locality outside the area development district. 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 tenue for each board member. The following information was provided in response to that question.

Chart No. 4
Board Member Tenure

Area Development District	Less Than 3 Years	More Than 3 Years	Number of Members
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
KIPDA	7	15	22
Kentucky River	16	24	40
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 office of secretary and treasurer may be combined. Each officer is elected for a term of one 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 deputy executive director, fix the salary for each position, delegate to the executive director all functions and duties, and 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 by the board to the executive committee.

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 may be considered by it to be 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, 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. Area development districts are 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 special purpose governmental entity requirements;
- 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 area development district 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 the 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 area development districts, which include a prohibition on employees and board members having any interest, either direct or indirect, in any contract entered into by the area development district or any agency created by the area development district;
- 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 area development district; and
- Establish and maintain an independent process to receive, analyze, investigate, and resolve concerns relating to the various area development district 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 area development district in which 50% of more of the population resides in cities or counties which participate in a regional planning authority, council of governments, or other agency which 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 of the planning commission, or 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;
- 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 area development district 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 area development districts;
    - 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 area development districts are required to maintain relationships with the Cabinet for Health and Family Services and the Education and Workforce Development Cabinet. Federal monies flow 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 level.
    - The flowing of federal funds through these two agencies create 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 area development districts are deemed a public agency. Therefore, no district is required to pay taxes or assessments upon any project, upon any property acquired or used by it, or upon the district's income [KRS 147A.110];
- No area development district 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]; and
- 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 currently require three types of financial reports to be completed or maintained by the area development districts:

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

Financial Reports Required from All Special Purpose Governmental Entities. KRS 65A.010 defines a special purpose governmental entity to include an agency, authority, or entity created or authorized by statute which provides public services. Included within the various public services statutorily listed are area planning, management, community improvement, and community development services. Therefore, by definition, the area development districts are a special purpose governmental entity.

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

- Administrative information, including the:
  - 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; and
  - Code of ethics that applies to the entity and whether the entity has adopted additional ethics provisions.
- Financial information, including:
  - 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; and
  - 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 are submitted by each area development district for the fiscal years of 2015 through 2018 and posted within the Department for Local Government reporting portal for all special purpose governmental entities. The 2019 completed reports will not be available until after the end of the fiscal year and the submission of those reports by the area development district is not required until October 1. Therefore, the 2019 reports were not included in the staff analysis. Staff made the following analytical observations related to the special purpose governmental entity reports submitted by the area development districts:

- These reports are standardized reports that are submitted by every different type of a special purpose governmental entity. The reports submitted by the area Development districts contain mostly zeros. Not every line item on the report will apply to the area development districts because of the standardized format;
- These reports are not what is considered a balance sheet by accountants or auditors. The reports do not take a snap shot of the financial condition at a particular point in time, like at the end of the fiscal year;
- These reports are more similar to a cash flow statement. The reports reflect the amount of revenues, including borrowed monies, that flow into the area development district 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 area development district during the fiscal year;
- There is no reporting on this form of the assets or liabilities of the area development district at any specific point in time;
- These reports do not contain specific information about certain types of activities, like the amount of reserve funds available or the amount of loans outstanding. There are only indications in these reports of that activity, like the amount of carry over 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 the any underlying circumstances behind a specific number or the appropriateness of any action, like the services performed or management of any particular area development district; and
- More information, in addition to these reports, will be needed to understand whether an area development district is in compliance with all statutory requirements.

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

Chart No. 5
Recap of Four-Year Averages
Special Purpose Governmental Entity Reports

Area Development District	Revenues						Appropriations				
	Inter-governmental Revenues	Charges for Services	Other Revenues	Interest Earned	Carryover from Prior Fiscal Year	Borrowed Money	Personnel	Operations	Administration	Capital Outlay	Debt Service
Barren River	93%	1%	5%	0%	1%		27%	70%	3%		
Big Sandy	95%	4%	1%	0%			51%	37%	12%		
Bluegrass	98%	0%	2%	0%			19%	78%	3%	0%	0%
Buffalo Trace	72%		2%	2%	25%		23%	39%	38%	0%	0%
Cumberland Valley	31%	12%	56%	0%			29%	68%	1%		1%
FIVCO	98%		2%				57%	14%	26%	1%	3%
Gateway	100%	0%	0%	0%			43%	50%	4%	2%	1%
Green River	65%				35%		84%	14%		2%	1%
Kentucky River	48%		52%	0%			56%	42%	1%	1%	1%
KIPDA	98%	2%					28%	70%	2%	0%	
Lake Cumberland	96%		4%	0%			59%	39%	3%		
Lincoln Trail	97%	0%	1%	1%			32%	67%	0%	0%	
Northern Kentucky	98%		0%	0%		2%	30%	65%	3%	0%	1%
Pennyrile	95%	4%	0%	0%			31%	67%	1%		
Purchase	91%		7%	2%			31%	67%	1%		

Note: If there is no percentage reflected in a cell in this chart, no amount was reported for that category during any of the four years analyzed. If a 0% is reflected in a cell, there was a very small amount reported, insufficient in amount to be equal to or greater than 1%.

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

- An incorrect transfer of data from the accounting software to the report occurred for one area development district;
- Another district did not include pass-through revenues and appropriations within the report for one year;
- The majority of the interest earned by the districts was related to program parameters and is not an indication of reserves; and
- 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 calendar 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. This reporting requirement is found in 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 area development district, identification of the source of those funds, and an explanation of why the funds are being carried forward; and
- For each program:
  1. A list of direct services provided by the district;
  2. A list of service providers contracted by the district and the services provided by those providers;
  3. The number of eligible persons for the program, number of persons served by the program, and, if applicable, number of people on waiting lists for the program; and
  4. The performance measures required by the contract used to evaluate the area development district'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: Fiscal Year 2017 and Fiscal Year 2018. Staff concentrated on the Fiscal Year 2018 reports for presentation purposes. Because some of the reports were not readable, the area development district representatives have re-tabulated the chart presented by staff detailing the sum of each data item required to be reported to the Legislative Research Commission.

Chart No. 6
2018 Summation of Data Items
Reports Submitted to the Legislative Research Commission

FY 2018	Grant Award	Local Funds	Total Grant Funds	Administrative Costs	% of Admin Cost	Direct Expenditures	% of Direct Expenditures	Indirect Expenditures	% of Indirect Expenditures	Unexpended Funds	% of Unexpended 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%
Cumberland 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%
Kentuckiana	$ 11,823,927.97	$ 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%
Kentucky 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%
Lake Cumberland	$ 9,548,526.43	$ 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 Kentucky	$ 10,051,557.27	$ 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%
Pennyrile	$ 11,992,616.46	$ 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%

Staff made the following analytical observations related to the reports required to be submitted to the Legislative Research Commission by the area development districts:

- One report was received without identification of the area development district to which the report belongs. It is assumed to be the report for Lake Cumberland Area Development District 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; and
- In almost every instance related to performance measures, the report directs the reader to a master performance measure binder or the MOA, neither of which were 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 area development districts 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 area development district to report the result when the required performance measures are applied to the area development district related to the actual performance of the contract.

Additionally, staff pointed out that a financial report will not conclude whether the monies were used appropriately. There is currently no requirement for a management or performance audit to review 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 district 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 fiscal year 2018, all area development districts contracted with an outside firm 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 following certified public accountants:

Chart No. 7
List of Outside Accounting Firms
Providing Audits for Fiscal Year 2018

Accounting Firm	Area Development District
Barnes Denning 2617 Legends Way Crestview Hills, KY 41017	Northern Kentucky Area Development District
Calhoun & Company, PLLC 4537 Fort Campbell Blvd Hopkinsville, KY 42240	Pennyrile Area Development District
Campbell Myers and Rutledge, PLLC 410 South Broadway Glasgow, KY 42141	Lake Cumberland Area Development District
Carr Riggs & Ingram 922 State Street Bowling Green, KY 42101	Barren River Area Development District
Clauson Mouser & Co., PSC 3033 Ring Road Elizabethtown, KY 42701	Lincoln Trail Area Development District
Cloyd & Associates, PSC London, Kentucky	Cumberland Valley Area Development District
Kelley Galloway Smith Goolsby, PSC 1200 Corporate Court Ashland, Kentucky 41105	Big Sandy Area Development District FIVCO Area Development District
Kemper CPA Group, LLP 7200 Eagle Crest Blvd Evansville, IN 47715	Green River Area Development District
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 Area Development District Buffalo Trace Area Development District Gateway Area Development District Kentucky River Area Development District
Williams Williams & Lentz, CPAs 601 Jefferson Street Paducah, KY 42001	Purchase Area Development District

Some members of the Working Group asked for information about the differing roles performed by the area development districts. One of these roles may be to actually provide the service to citizens related to the contract or grant awarded to the area development district. A second role may be to only administer the contract or grant awarded to the area development district, while another party provides the service to our citizens.

All area development districts provide services through some of the contracts and grants received. Additionally, all area development districts 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. Below is a list, by area development district, detailing the programs within which the area development district provides both the service to citizens and administers the contract or grant awarded to the area development districts.

Chart No. 8
Programs with Administration and Service Roles
By Area Development District

Area Development District	#	Program
Barren River	1	Title III B Administration, Case Management, and Assessment
	2	Title III E Administration and Family Caregiver Services
	3	Homecare Administration, Case Management, and Assessment
	4	SHIP Administration and Services
Big Sandy	1	Homecare Administration, Case Management, Assessment, Chore, Escort, Personal Care, Respite, and Home Management
	2	Title III E Administration and Family Caregiver Services
	3	Community Collaboration for Children
Bluegrass	1	Title III E Administration, Family Caregiver Services, and ADRC
	2	Title III B Administration and ADRC
	3	Homecare Administration and ADRC
Buffalo Trace	1	Title III B Administration, Case Management, Assessment, and Ombudsman
	2	SHIP Administration and Services
	3	Homecare Administration, Case Management, Assessment, and ADRC
Cumberland Valley	1	Homecare Administration, Case Management, Assessment, and ADRC
	2	Title III B Administration, Case Management, Assessment, and ADRC
	3	Title III E Administration and Family Caregiver Services
	4	WIOA Administration and Career Services (in three counties)

Area Development District	#	Program
FIVCO	1	Title III B Administration, Case Management, and Assessment
	2	Homecare Administration, Case Management, Assessment, ADRC, and In-Home Services
	3	Title III E Administration and Family Caregiver Services
	4	WIOA Administration, Career, and Business Services
Gateway	1	Title III B Administration, Case Management, Assessment, Healthy Promotions, Homemaking, Information & Assistance, Outreach, Personal Care, and Transportation
	2	Title III C1 Administration, Congregate Meals, and Nutrition Education
	3	Title III C2 Administration, Home Delivered Meals, and Nutrition Education
	4	Title III E Administration and Family Caregiver Services
	5	Homecare Administration, Case Management, Assessment, Information & Assistance, Chore, Home Management, Personal Care, Home Delivered Meals
Green River	1	Title III B Administration, Case Management, Assessment, Information & Assistance, and Ombudsman
	2	Title III E Administration and Family Caregiver Services
	3	Homecare Administration, Case Management, and Assessment
	4	WIOA Administration and Business Services
Kentucky River	1	Title III B Administration, Case Management, Assessment, Health Promotions, Information & Assistance, Outreach, Transportation, Advocacy, Education, and Recreation
	2	Legal Assistance and Public Information
	3	Title III C1 Administration, Congregate Meals, and Nutrition Education
	4	Title III C2 Administration, Home Delivered Meals, and Nutrition Education
	5	Title III E Administration, Family Caregiver Services, Information, and Assistance
	6	Homecare Administration, Case Management, Assessment, Information & Assistance, Home Management, Personal Care, Home Delivered Meals, and Supplies
KIPDA	1	Title III B Administration, Case Management, Assessment, Information & Assistance, and ADRC
	2	Title III E Administration, Family Caregiver Services, and ADRC
	3	SHIP Administration and Services
	4	Homecare Administration, Case Management, Assessment, and ADRC
	5	Kentucky Caregiver Admin and Services and ADRC

Area Development District	#	Program
Lake Cumberland	1	Title III B Administration, Case Management, Assessment, Information & Assistance, Recreation, Transportation, and Ombudsman
	2	Title III E Administration and Family Caregiver Services
	3	Homecare Administration, Case Management, Assessment, Information & Assistance, Home Delivered Meals
	4	SHIP Administration and Services
	5	Title III C1 Administration and Congregate Meals
	6	Title III C2 Administration and Home Delivered Meals
	7	Kentucky Caregiver Administration, Services, and ADRC
	8	WIOA Administration and Business Services
Lincoln Trail	1	Title III B Administration, Case Management, and Assessment
	2	Homecare Administration, Case Management, and Assessment
	3	Title III E Administration and Family Caregiver Services
Northern Kentucky	1	Title III B Administration and Case Management, Assessment, I & A, Outreach, Ombudsman (also includes Title VII, Elder Abuse and Long-term Care Ombudsman even though no administration dollars are available)
	2	Title III D evidence based activities of (CDSMP, Falls Talk, Tia Chi for Arthritis, Bingosize) (no administration dollars available)
	3	Title III E Administration and Family Caregiver Services
	4	Homecare Administration, Case Management, Assessment, Information
	5	PDS Waiver Administration and Case Management, Financials
Pennyrile	1	Title III B Administration, Case Management, Assessment, and Ombudsman
	2	Title III E Administration and Family Caregiver Services
	3	Homecare Administration, Case Management, and Assessment
Purchase	1	Title III B Administration, Ombudsman, and ADRC
	2	SHIP Administration, Services, and ADRC
	3	Title III E Administration, Family Caregiver Services, and ADRC
	4	Homecare Administration, Case Management, Assessment, and ADRC

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.

The financial reports submitted to the Department for Local Government, because the districts are special purpose governmental entities, reflected interest was earned by 12 of the 15 area development districts. Most of the interest amounts reported were very minimal, except in the case of the Buffalo Trace Area Development District and the Purchase Area Development District.

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 USDA Rural Development, Economic Development Administration, Appalachian Regional Commission, and Kentucky Agricultural Development funds utilized in the Revolving Loan Fund program and 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 Area Development District, Buffalo Trace Area Development District, and Green River Area Development District.

The representatives testified that the carryovers in these three area development districts is 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 impacting 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 Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to 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 the District 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, is $358,474.

Note G to the audited financial statements of the Cumberland Valley Area Development District for the 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% to 5.75%. 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%, 4.125%, and 4.5%, and maturity dates of either July 18, 2048, or January 26, 2049. According to testimony from the representatives of the area development districts, the debt is for building construction.

The audited financial statements for the Gateway Area Development District reflect long-term debt $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%, maturing June, 2025, equal to $54,560;
- A loan with the USDA Rural Development, secured by office building, $100,000, interest rate of 4.125%, due May, 2040, equal to $92,410; and
- A loan with the USDA Rural Development, secured by office building, 2 loans of $550,000, interest at a rate of 4.125%, due June, 2047, equal to $960,789.

The Green River Area Development District had $679,261 in outstanding debt, a decrease of 6.2% over the last year. In June of 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 fifteen-year lease agreement wherein the District agreed to pay to the County, as rent for the property, amounts equal to the semi-annual debt payments of $32,390, including interest at 2.8% 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 their 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%. 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 were obtained by the District for various building upgrades and equipment additions over the last several years. These loans were obtained from SKRECC, Shelby Energy Corporation, and U.S. Rural Development. There were no new loans for the year ended June 30, 2018, and the balance equaled $536,447.

At the end of fiscal year 2018, Lincoln Trail Area Development District had paid off $2,027 in outstanding debt. The District participated in the non-profit 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% 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 U.S. Department of Agriculture 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%, payable semi-annually. 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 re-lending program debts, and the housing program located in Grand Rivers, Kentucky. 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 fiscal year 2018-2019 and fiscal year 2019-2020, the formula used by the Department for Local Government to distribute both federal and state monies 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 program as follows:

- 70% of the total appropriation shall be allocated equally among all area development districts;
- 20% of the total appropriation shall be allocated based upon each area development district's proportionate share of total state population, as identified by the 2010 United State Census; and
- 10% of the total appropriation shall be allocated based upon each area development district'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 area development districts for the purpose of maximizing federal awards.

2019 RS HB 268 modified 2018 RS HB 200, allowing area development district flexibility 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.

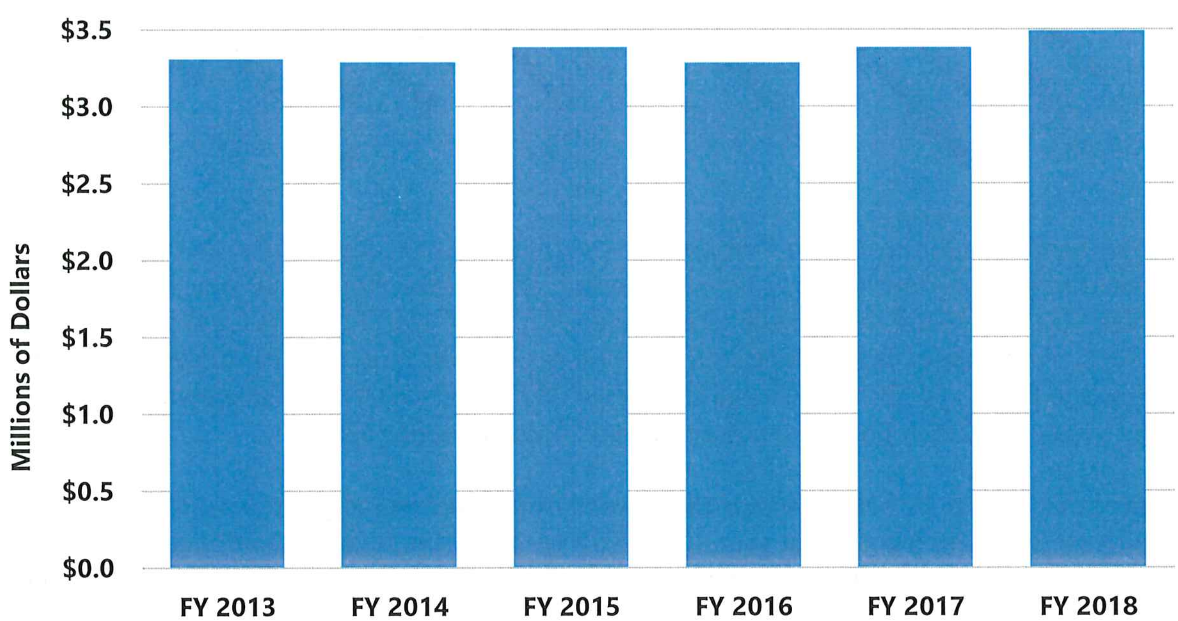
Staff presented multiple years of data related to monies distributed through the Joint Funding Administration.

Chart No. 9
Distribution of Joint Funding Administration Dollars By the Department for Local Government

Area Development District	2013	2014	2015	2016	2017	2018
Barren River	$ 216,942.21	$ 213,712.00	$ 217,440.00	$ 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

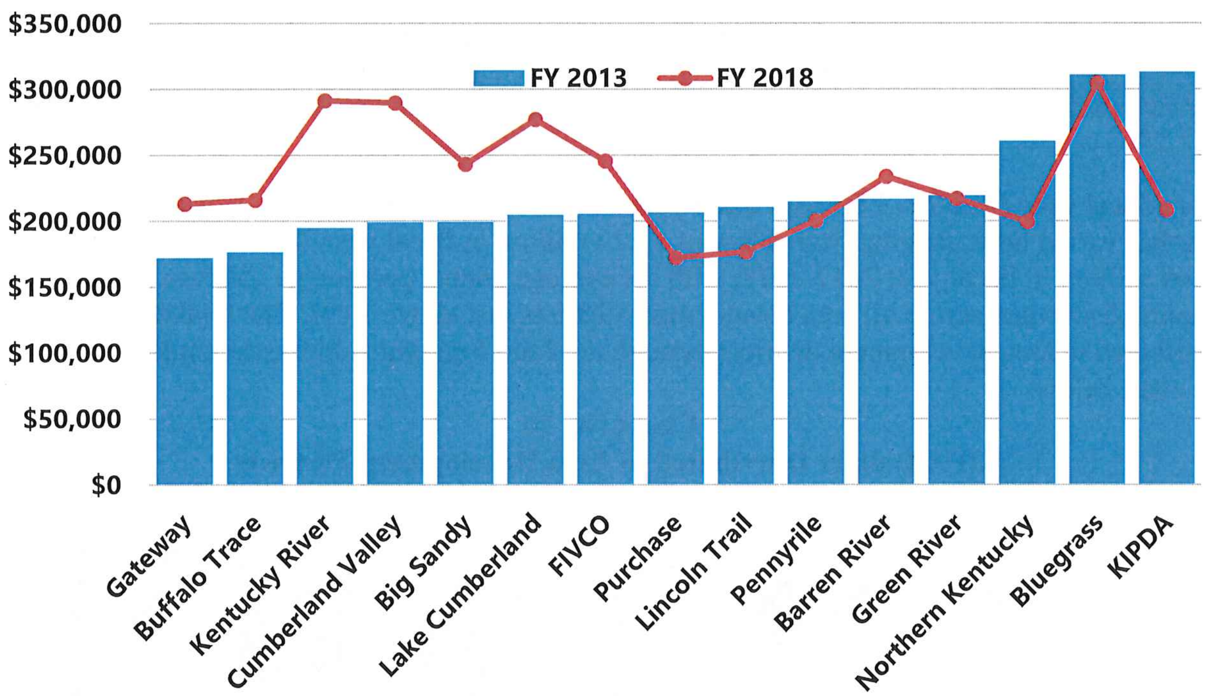
From fiscal year 2012-2013 through fiscal year 2017-2018, the total amount distributed by fiscal year has varied little, ranging from a low of $3.29 million in fiscal year 2013-2014 to a high of $3.49 million in fiscal year 2017-2018, with the average annual percentage increase in the amount distributed across all area development districts just above 1.0%. The total dollars distributed to area development districts through the Joint Funding Administration is depicted in the chart below.

Chart No. 10
JFA Dollars Distributed to Area Development Districts



The data in Chart No. 10 above indicate that the total amount distributed via the Joint Funding Administration formula was relatively stable during this time period. However, the amount distributed to each area development district – measured on either a percentage or nominal dollar basis – was more variable during the same period. The data is Chart No. 11 below display the amount of money distributed to each area development district in fiscal year 2012-2013 via the Joint Funding Administration formula and compares that amount to the amount distributed in fiscal year 2017-2018. Compared to fiscal year 2012-2013, eight area development districts received more funding in fiscal year 2017-2018 while seven area development districts received less funding.

Chart No. 11
Joint Funding Administration Formula
Dollar Distributed in FY 13 and FY 18, by Area Development District



The Joint Funding Administration formula data provided to staff indicated the amounts distributed to the area development districts showed little change from fiscal year 2012-2013 to fiscal year 2017-2016 but, were much more variable in fiscal year 2016-2017 and in fiscal year 2017-2018. To illustrate these differences at different points in time, staff examined the dollars distributed in fiscal year 2015-2016 and fiscal year 2017-2018 relative to the amount distributed in fiscal year 2012-2013, on both a percentage and nominal dollar basis.

The data in Chart No. 12 below display the amount distributed to each area development district in fiscal year 2015-2016 and fiscal year 2017-2018 via the Joint Funding Administration formula, compared to the amount distributed in fiscal year 2012-2013. The blue bars represent the Joint Funding Administration distribution in fiscal year 2015-2016 compared to fiscal year 2012-2013.

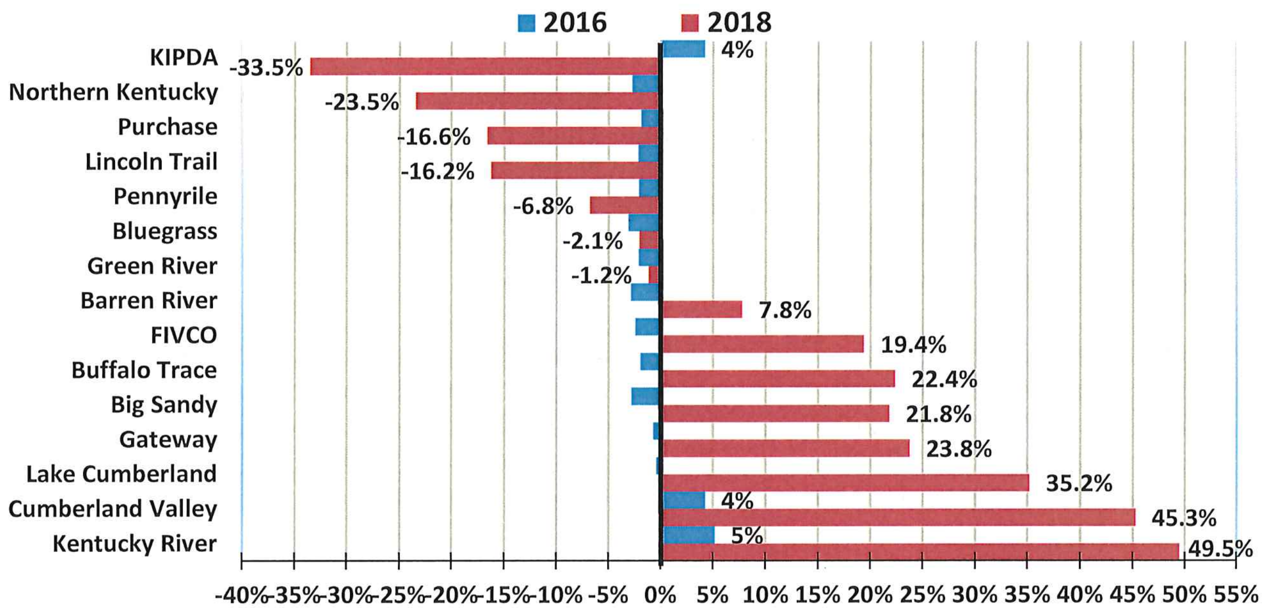
Two area development districts – KIPDA and Cumberland Valley – received 4% more money in fiscal year 2015-2016 than in fiscal year 2012-2013. The Kentucky River Area Development District received the highest percentage increase when comparing fiscal year 2015-2016 to fiscal year 2012-2013 (5%).

Comparatively, the amount distributed to each of the remaining 12 area development districts (Lake Cumberland, Gateway, Big Sandy, Buffalo Trace, FIVCO, Barren River, Green River, Bluegrass, Pennyrile, Lincoln Trail, Purchase and Northern Kentucky) ranged from 1-3% less in fiscal year 2015-2016 than in fiscal year 2012-2013. In fiscal year 2015-2016, across all 15 area development districts, the amount distributed increased or decreased by less than 5% when compared to the amount received in fiscal year 2012-2013.

After fiscal year 2015-2016, the distribution to each area development district via the Joint Funding Administration formula was more variable when compared to fiscal year 2012-2013. The red bars in the chart below represent the amount distributed to each area development district in fiscal year 2017-2018 compared to fiscal year 2012-2013. The Kentucky River Area Development District received 49% more money in fiscal year 2017-2018 compared to fiscal year 2012-2013.

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 Joint Funding Administration formula in fiscal year 2017-2018 compared to fiscal year 2012-2013. Seven area development districts (Green River, Bluegrass, Pennyrile, Lincoln Trail, Purchase, Northern Kentucky, and KIPDA) received less in fiscal year 2017-2018 when compared to fiscal year 2012-2013.

Chart No. 12
Joint Funding Administration Formula
Percent change in Dollars Distributed by Area Development District
FY 16 and FY 18 Compared to FY 13



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

The data in Chart No. 13 below compare the change in Joint Funding Administration distribution amounts by area development district. The difference in Joint Funding Administration distribution amounts are shown for fiscal year 2015-2016 and fiscal year 2017-2018 compared to the amount received in fiscal year 2012-2013.

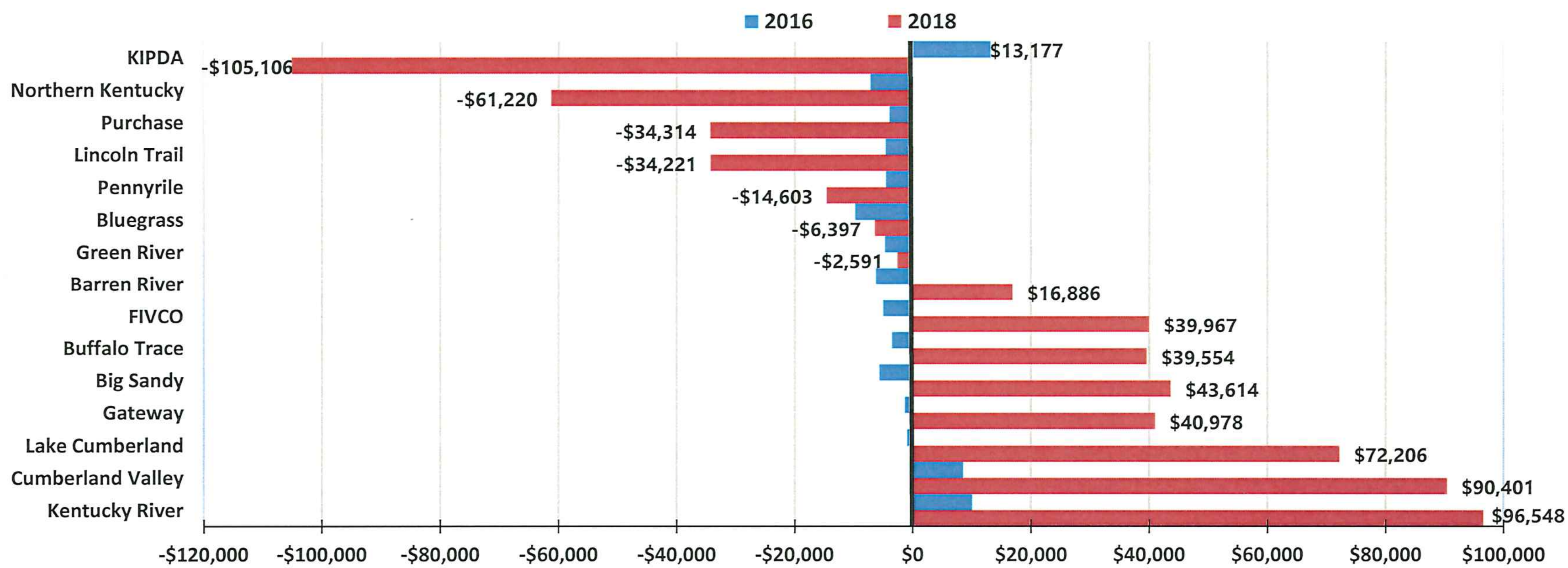
The blue bars represent the difference in the Joint Funding Administration distribution in fiscal year 2015-2016 compared to fiscal year 2012-2013. Three area development districts received more money in fiscal year 2015-2016 than in fiscal year 2012-2013 but, the amounts were relatively small, ranging from $8,550 (Cumberland Valley) to $13,177 (KIPDA).

Twelve area development districts received less money in fiscal year 2015-2016 compared to fiscal year 2012-2013 but, the amounts were relatively small, ranging from -$912 (Lake Cumberland) to -$9,717 (Bluegrass).

The red bars in the chart represent the difference in the amount distributed to each area development district in fiscal year 2017-2018 compared to fiscal year 2012-2013. Overall, eight area development districts received more money through the Joint Funding Administration formula in fiscal year 2017-2018 compared to fiscal year 2012-2013.

The additional distribution amounts ranged from $16,886 (Barren River) to $96,548 (Kentucky River). Seven area development districts received less in fiscal year 2017-2018 when compared to fiscal year 2012-2013, ranging from -$2,591 (Green River) to -$105,106 (KIPDA).

Chart No. 13
Joint Funding Administration Formula
Change in Dollars Distributed, By Area Development District
FY 2016 and FY 2018 Compared to FY 2013



Chapter Summary. From fiscal year 2012-2013 to fiscal year 2015-2016, the total amount distributed across all area development districts and the amount distributed to each area development district through the Joint Funding Administration formula changed very little.

After fiscal year 2015-2016, the total amount distributed across all area development districts increased slightly in each of the next two fiscal years while the amount distributed to each area development district – measured on either a percentage or nominal dollar basis – changed significantly.

In comparing the amount distributed to each area development district in fiscal year 2017-2018 to fiscal year 2012-2013, eight area development districts received more money and seven area development districts received less money.

The largest impact was fewer dollars were provided in fiscal year 2017-2018 (relative to fiscal year 2012-2013) to the KIPDA, Northern Kentucky, Purchase, and Lincoln Trail area development districts, and more dollars were provided to the Kentucky River, Cumberland Valley, Lake Cumberland, Gateway, Big Sandy, Buffalo Trace, and FIVCO area development districts.

Chapter 7

Staffing Patterns

The following employee staff counts were provided by the area development districts.

Chart No. 14
Staffing County
Area Development Districts

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

The area development districts were asked whether the current staff had grown, reduced, or remained approximately the same over the last five years. The chart below reflects the answers received from the area development districts.

Chart No. 15
Growth or Reduction in Staffing During the Past Five Years
Area Development Districts

Area Development District	Growth/Reduction/Same
Barren River Area Development District	Reduction
Big Sandy Area Development District	Reduction
Bluegrass Area Development District	Growth
Buffalo Trace Area Development District	Reduction
Cumberland Valley Area Development District	Same
FIVCO Area Development District	Same
Gateway Area Development District	Growth Due to Senior Activities
Green River Area Development District	Reduction
Kentucky River Area Development District	Same
KIPDA	Overall Reduction
Lake Cumberland Area Development District	Same
Lincoln Trail Area Development District	Same
Northern Kentucky Area Development District	Reduction
Pennyrile Area Development District	Reduction
Purchase Area Development District	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 district as of the end of fiscal year 2018-2019.

Chart No. 16
Aging Services Waiting List
June 30, 2019

ADD	Personal Care		Homemaker		Home Delivered Meals		Other*	
Barren River	9	Allen	17	Allen	31	Allen	13	Allen
	21	Barren	54	Barren	70	Barren	21	Barren
	4	Butler	12	Butler	20	Butler	7	Butler
	6	Edmonson	19	Edmonson	39	Edmonson	8	Edmonson
	3	Hart	21	Hart	28	Hart	8	Hart
	16	Logan	29	Logan	40	Logan	16	Logan
	3	Metcalfe	8	Metcalfe	15	Metcalfe	4	Metcalfe
	12	Monroe	23	Monroe	45	Monroe	10	Monroe
	21	Simpson	31	Simpson	47	Simpson	13	Simpson
	48	Warren	105	Warren	178	Warren	57	Warren
Big Sandy	6	Floyd	8	Floyd	13	Floyd	11	Floyd
	1	Johnson	3	Johnson	1	Johnson	4	Johnson
	2	Pike	9	Pike	9	Magoffin	1	Martin

ADD	Personal Care		Homemaker		Home Delivered Meals		Other*	
Bluegrass	2	Boyle	1	Anderson	8	Anderson	1	Anderson
	4	Fayette	3	Boyle	4	Bourbon	5	Boyle
	2	Madison	1	Clark	75	Boyle	3	Clark
			1	Estill	7	Clark	2	Estill
			37	Fayette	1	Estill	57	Fayette
			2	Franklin	13	Fayette	3	Franklin
			1	Garrard	7	Franklin	2	Garrard
			6	Jessamine	11	Garrard	7	Jessamine
			7	Madison	9	Harrison	13	Madison
			1	Mercer	24	Jessamine	2	Mercer
			3	Powell	21	Lincoln	5	Powell
			2	Scott	68	Madison	4	Scott
			1	Woodford	5	Mercer	2	Woodford
					2	Nicholas		
					33	Powell		
					8	Scott		
					6	Woodford		
Buffalo Trace	2	Fleming	1	Bracken	1	Bracken	1	Fleming
	3	Lewis	6	Fleming	5	Fleming	1	Bracken
	1	Mason	6	Lewis	4	Lewis	4	Lewis
			5	Mason	4	Mason	5	Mason
Cumberland Valley	8	Bell	27	Bell	19	Bell	1	Bell
	4	Clay	6	Clay	4	Clay	1	Clay
	11	Harlan	22	Harlan	17	Harlan	0	Harlan
	3	Jackson	6	Jackson	4	Jackson	0	Jackson
	6	Knox	18	Knox	8	Knox	0	Knox
	16	Laurel	44	Laurel	48	Laurel	0	Laurel
	4	Rockcastle	6	Rockcastle	3	Rockcastle	2	Rockcastle
	14	Whitley	29	Whitley	19	Whitley	0	Whitley
FIVCO	1	Boyd	15	Boyd	2	Boyd	4	Boyd
	1	Carter	11	Carter	1	Elliott	2	Carter
	1	Elliott	4	Elliott	1	Greenup	2	Elliott
	4	Greenup	12	Greenup			6	Green
Gateway	6	Bath	8	Bath	24	Bath	1	Montgomery
	2	Menifee	3	Menifee	17	Menifee		
	3	Montgomery	11	Montgomery	20	Montgomery		
	4	Morgan	10	Morgan	40	Rowan		
	12	Rowan	32	Rowan				
Green River	32	Davies	70	Davies	173	Davies	7	Davies
	4	Hancock	7	Hancock	13	Hancock	2	Henderson
	7	Henderson	15	Henderson	45	Henderson	1	McLean
	3	McLean	3	McLean	4	McLean	2	Ohio
	7	Ohio	8	Ohio	33	Ohio	1	Union
	4	Union	7	Union	8	Union		
	2	Webster	8	Webster	17	Webster		
Kentucky River	1	Knott	5	Breathitt	7	Breathitt	2	Breathitt
	1	Leslie	5	Knott	44	Knott	2	Knott
	1	Letcher	12	Lee	10	Lee	3	Lee
	1	Owsley	4	Leslie	28	Leslie	3	Leslie
	1	Perry	5	Letcher	27	Letcher	8	Letcher
			4	Owsley	6	Owsley	0	Owsley
			20	Perry	39	Perry	11	Perry
			8	Wolfe	13	Wolfe	1	Wolfe

ADD	Personal Care		Homemaker		Home Delivered Meals		Other*	
KIPDA	146	Jefferson	331	Jefferson	286	Jefferson	448	Jefferson
	6	Bullitt	14	Bullitt	6	Bullitt	20	Bullitt
	2	Henry	8	Henry	4	Henry	9	Henry
	5	Oldham	14	Oldham	8	Oldham	19	Oldham
	2	Shelby	6	Shelby	6	Shelby	7	Shelby
	1	Spencer	5	Spencer	1	Spencer	9	Spencer
	6	Trimble	7	Trimble	3	Trimble	9	Trimble
Lake Cumberland	2	Adair	10	Adair	15	Adair	5	Adair
	2	Casey	6	Casey	9	Casey	2	Casey
	1	Clinton	5	Clinton	12	Clinton	1	Clinton
	1	Green	5	Cumberland	6	Cumberland	2	Cumberland
	1	McCreary	5	Green	4	Green	2	Green
	2	Pulaski	3	McCreary	11	McCreary	1	McCreary
	5	Russell	14	Pulaski	40	Pulaski	5	Pulaski
	4	Taylor	15	Russell	19	Russell	6	Russell
	1	Wayne	14	Taylor	16	Taylor	4	Taylor
Lincoln Trail	1	Breckinridge	8	Breckinridge	7	Breckinridge	1	Breckinridge
	7	Grayson	21	Grayson	36	Grayson	7	Grayson
	13	Hardin	38	Hardin	76	Hardin	12	Hardin
	1	LaRue	7	LaRue	13	LaRue	4	LaRue
	6	Marion	18	Marion	24	Marion	3	Marion
	3	Meade	4	Meade	6	Meade	3	Meade
	12	Nelson	22	Nelson	19	Nelson	10	Nelson
	2	Washington	2	Washington	10	Washington	2	Washington
Northern Kentucky	6	Boone	8	Boone	10	Boone	1	Boone
	1	Campbell	8	Campbell	7	Campbell		
	4	Grant	2	Gallatin	1	Carroll		
	10	Kenton	7	Grant	3	Gallatin		
	2	Pendleton	28	Kenton	19	Kenton		
			2	Owen	4	Pendleton		
			1	Pendleton				
Pennyrile	17	Caldwell	43	Caldwell	38	Caldwell		
	24	Christian	79	Christian	106	Christian		
	8	Crittenden	16	Crittenden	13	Crittenden		
	11	Hopkins	44	Hopkins	76	Hopkins		
	6	Livingston	9	Livingston	9	Livingston		
	8	Lyon	19	Lyon	9	Lyon		
	3	Muhlenburg	16	Muhlenburg	20	Muhlenburg		
	1	Todd	6	Todd	12	Todd		
	5	Trigg	17	Trigg	18	Trigg		
Purchase	3	Ballard	17	Ballard	15	Ballard	4	Ballard
	4	Calloway	38	Calloway	19	Calloway	10	Calloway
	1	Carlisle	9	Carlisle	11	Carlisle	5	Carlisle
	3	Fulton	15	Fulton	23	Fulton	10	Fulton
	14	Graves	60	Graves	95	Graves	23	Graves
	1	Hickman	7	Hickman	11	Hickman	1	Hickman
	6	Marshall	24	Marshall	31	Marshall	8	Marshall
	12	McCracken	80	McCracken	69	McCracken	22	McCracken

*The "Other" category in this chart includes respite, chore, home repair, and other miscellaneous aging services.

Testimony during the Working Group meetings by representatives from the area development districts included that the waiting lists were a result of a lack of sufficient funding. The waiting lists are not a function of insufficient staffing.

Chapter 8

Findings

1. **Area Development District Boundaries.** Staff researched archived documents to determine if 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.
    a. Based on current population statistics, six area development districts have grown more rapidly, eight have grown less rapidly and one has decreased in population. The boundaries of the current 15 area development districts may require adjustment based on the current population.
    b. Population may not be the only important aspect for determining boundaries of the area development districts.
    c. Geography should also be considered, especially in light of Kentucky vast topographical differences across the Commonwealth.
    d. The number of governmental units of within the boundaries of an area development district 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 area development districts may create savings which could be used as additional funds for our citizens.
2. **Tenure of Board Members.** A review of the tenure of area development district board members was performed, comparing the number of board members in each area development district with less than three years of tenure to the number of board members in each area development district with more than three years of tenure. Those districts having more members with less than three years of tenure are the Big Sandy Area Development District, Green River Area Development District, and Lake Cumberland Area Development District. A review of the training process and procedures for new board members may be required to ensure that, at least in these three area development districts, 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 area development districts 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 area development districts based on their classification as a special purpose governmental entity. However, the area development districts 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. While 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 area development district. Changes may be needed that will provide content integrity in a format that will allow for the area development district 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 area development district. 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 the monies were used appropriately. There is currently no requirement for a management or performance audit to be performed for each area development district. Suggestions include cyclical, rather than annual, evaluations in this area.
6. **Joint Funding Administration.** Historically, the formula for the Joint Funding Administration distributions has not been codified in statutory language. The General Assembly chose to include the basic structure for allocating Joint Funding Administration dollars within Executive Budget language for fiscal years 2018-2019 and 2019-2020, because of a deviation from the historical distribution methodology for the two 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.