



Auditor's Communication

Kentuckiana Regional
Planning and
Development Agency

June 30, 2021

Introduction

Thank you for the opportunity to submit the following information related to our 2021 audit of Kentuckiana Regional Planning and Development Agency (the "KIPDA"). We have been engaged to audit the financial statements of the KIPDA as of and for the year ended June 30, 2021. Professional standards require that we communicate to those charged with governance the following information related to our audit engagement. This communication is intended solely for the information and use of the Board of Directors, members and management, and is not intended to be and should not be used by anyone other than these specified parties, without obtaining our permission.



Audit Engagement Team

	John Hill	Engagement Partner	502.882.4381 john.hill@mcmcpa.com
	Brad Smith	Independent Partner	502.882.4325 brad.smith@mcmcpa.com
	Lee Ann Watters	Principal	502.783.2528 leeann.watters@mcmcpa.com
	Ben Dennison	Manager	859.514.7779 ben.dennison@mcmcpa.com



Required Communications

MCM's Responsibilities

- + To plan and perform our audit engagement to obtain reasonable, but not absolute, assurance and to form and express an opinion about whether the financial statements, that have been prepared by management with your oversight, are free of material misstatement and are presented fairly in accordance with accounting principles generally accepted in the United States of America.
- + Our audit engagement included consideration of internal control over financial reporting as a basis for designing our procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion or providing any assurance on the effectiveness of the KIPDA's internal control over financial reporting.

Required Communications (Cont.)

Management's Responsibilities

- + The financial statements, including the related notes to the financial statements.
- + The KIPDA's internal controls.
- + MCM's audit of the financial statements does not relieve you or management of your responsibilities.



Required Communications (Cont.)

Planned Scope and Timing of the Audit Engagement

- + Engaged to audit the financial statements of the KIPDA, for the year ended June 30, 2021 and the related notes to the financial statements.
- + Performed the audit engagement according to the planned scope and timing as contemplated in our engagement letter dated June 16, 2021.



Required Communications (Cont.)

Corrected and Uncorrected Misstatements

- + There was one uncorrected financial statement misstatement detected as a result of our audit procedures. Management has determined that their effects are immaterial to the financial statements taken as a whole. (See Appendix III to the management representation letter)
- + There were audit adjustments proposed and recorded. (See Appendix II to rep letter). In our judgment, none of the adjustments we proposed, either individually or in the aggregate, indicate matters that could have a significant effect on KIPDA's financial reporting process.



Required Communications (Cont.)

Accounting Policies

- + Management is responsible for the selection and use of appropriate accounting policies.
- + The significant accounting policies used by the KIPDA are described in Note B to the financial statements.
- + No matters came to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions or (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance of consensus.



Required Communications (Cont.)

Accounting Estimates

- + Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



The following are considered to be the most sensitive estimates affecting the financial statements:

Accounts Receivable Reserves

Allowance is established by management based on review of individual receivables.

Net Pension Liability

Management's estimate of the net pension liability and the related deferred inflows and deferred outflows is determined by an actuarial calculation.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to twenty-five years.

Net OPEB Liability

Management's estimate of the net OPEB liability and the related deferred inflows and deferred outflows is determined by an actuarial calculation.



Required Communications (Cont.)

Financial Statement Disclosures

- + Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.
- + The most sensitive disclosures affecting the financial statements pertain to:
 - + Receivables from grantor agencies in Note E
 - + Pension plan in Note H
 - + Postemployment Benefits Other than Pension ("OPEB") in Note I



Required Communications (Cont.)

Recently Issued Accounting Standards Updates

- + GASB No. 87, *Leases* - effective for the fiscal year ending June 30, 2022



Required Communications (Cont.)

Internal Control Matters

- + During the conduct of our 2021 audit engagement, we did not become aware of any material weaknesses, the definition of which is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the KIPDA's financial statements will not be prevented, or detected and corrected on a timely basis.



Required Communications (Cont.)

Identified or Suspected Fraud

- + During the conduct of our 2021 audit engagement, we did not become aware of any fraud or illegal acts.
- + Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the KIPDA involving management, employees who have significant roles in internal control, and/or others where the fraud or illegal acts could have a material effect on the financial statements.



Required Communications (Cont.)

Difficulties Encountered in Performing the Audit Engagement

+ None

Disagreements with Management

+ None



Required Communications (Cont.)

Compliance with Ethics Requirements Regarding Independence

- + The audit engagement team, others at MCM, as appropriate, and MCM have complied with all relevant ethical requirements regarding independence.
- + We are not aware of any matters that in our professional judgement would impair our independence.

Issues Discussed Prior to the Retention of MCM

- + Related discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Communications (Cont.)

Management's Consultations with Other Accountants

- + Management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations.
- + To our knowledge, there were no such consultations with other accountants related to the 2021 audit engagement.



Internal Controls and Suggestions for Improvement

In planning and performing our audit of the financial statements of KIPDA as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered KIPDA's internal control over financial reporting internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPDA's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPDA's internal control.

To the extent applicable, we have classified items identified below as follows:

- + Deficiency - A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.



Internal Controls and Suggestions for Improvement (Continued)

SEFA Presentation	Deficiency
<p>Observation:</p>	<p>The Organization is required by 2 CFR 200.508 and 200.510 to prepare appropriate financial statements, including the schedule of expenditures of Federal award ("SEFA").</p> <p>During our review of the SEFA prepared by management, we noted that the Coronavirus Relief Fund, CFDA 21.019, was reported within the Aging Cluster and was not reported as a separate program.</p>
<p>Recommendation:</p>	<p>We recommend that the Organization assign an individual experienced with federal awards to review the SEFA, prior to submission with the financial statements.</p>



Required Communications (Cont.)

Representations Requested from Management

- + The representations requested from management are reflected in the management representation letter which will be dated same date as report opinion.



Exhibit A - Copy of the Signed Management Representation Letter





Area Agency on Aging and Independent Living
Area Development District
Metropolitan Planning Organization



January 24, 2022

MCM CPAs & Advisors LLP
2600 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

This representation letter is provided in connection with your audit of the financial statements of Kentuckiana Regional Planning and Development Agency ("KIPDA") as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements of the various opinion units are presented fairly, in all material respects, in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 24, 2022.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 16, 2021, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. With respect to the nonattest services provided, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
6. Significant assumptions used by us in making accounting estimates are reasonable.

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7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of the waived audit entry summarized by you during the current engagement is immaterial to the applicable opinion units and to the financial statements as a whole.
10. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies FASB Accounting Standards Codification™ (ASC) 450, *Contingencies*, and we have not consulted a lawyer concerning litigation, claims, or assessments
11. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All net position components and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.
22. Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.
23. With regard to pensions and OPEB:
 - a. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b. We are unable to determine the possibility of a withdrawal liability from the CERS of the KRS Plan of which we are a sponsor and are not currently contemplating withdrawing from the CERS of the KRS Plan.
 - c. Increases in benefits, elimination of benefits and all similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation or disclosed as a subsequent event.

24. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
25. Provisions for uncollectible receivables have been properly identified and recorded.
26. All outstanding receivables are deemed collectible, including the Medicaid receivables that date back to 2017 and 2018.

Information Provided

27. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
28. All transactions have been recorded in the accounting records and are reflected in the financial statements.
29. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
30. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
31. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
32. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
33. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
34. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
35. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, abuse or waste that you have reported to us.
36. We have a process to track the status of audit findings and recommendations.
37. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
38. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
39. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
40. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
41. KIPDA has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

42. We have disclosed to you all guarantees, whether written or oral, under which KIPDA is contingently liable.
43. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
44. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
45. KIPDA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
46. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
47. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
48. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
49. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period.
50. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No.87, as discussed in Note M. KIPDA is therefore unable to disclose the impact that adopting this standard will have on its financial position and the results of its operations when the Statement is adopted.
51. We have recorded the amount of the pension and net OPEB liabilities and related deferred inflows and outflows of resources and pension and OPEB expense from the actuarial report prepared for the Kentucky Retirement System. These amounts have been recorded utilizing the actuarial assumptions and methods established by the KRS in conjunction with their actuaries which appear reasonable and consistent with prior years. With respect to the schedules of program activities, the schedule of indirect expenses and the schedule of local cash contributions (Schedules):
 - a. We acknowledge our responsibility for presenting the Schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedules have not changed from those used in the prior period, and we have disclosed to you any

- significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b. If Schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
52. In regards to MCM hosting certain KIPDA financial data or other records on MCM's servers or MCM maintaining hard copies of financial data or other records in a physical location MCM maintains, KIPDA either also maintains copies of such data or other records or we have been provided hard copies of and/or access to such data or other records. MCM currently performs no hosting services for KIPDA.
53. KIPDA has appropriately charged off accrued expenses, which are no longer deemed to be a financial obligation at June 30, 2021.

Single Audit

54. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - f. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
 - g. We have notified you of federal awards and funding increments that were received before December 26, 2014 (if any) and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
 - h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
 - i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
 - j. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
 - k. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
 - l. We have received no requests from a federal agency to audit one or more specific programs as a major program.

- m. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditor's report.
- n. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- q. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- r. We have monitored subrecipients, as necessary, to determine if they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- s. We have issued management decisions for audit findings that relate to federal awards we make to subrecipients, and such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed-up ensuring that the subrecipients have taken the appropriate and timely action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
- t. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- u. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- v. We have charged costs to federal awards in accordance with applicable cost principles.
- w. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- x. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- y. The reporting package does not contain personally identifiable information.
- z. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- aa. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

- bb. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
- cc. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
- dd. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form and we are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.



Jarrett Haley
Executive Director



Thomas Pope
CFO

Proposed Audit Entry

To waive adjustment of the deferred outflows of resources for OPEB

116	GASB 75 OPEB Outflows	\$ 16,822	
509.1	OPEB Expense		\$ 16,822